

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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

PARAMETRIC SOUND CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

27-2767540
(I.R.S. Employer
Identification Number)

1941 Ramrod Avenue, Suite #100
Henderson, Nevada 89014
(888) 477-2150
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities to be registered pursuant to Section 12(b) of the Act:

None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001 per share

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

Large accelerated filer
Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

**INFORMATION REQUIRED IN REGISTRATION STATEMENT
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND
ITEMS OF FORM 10**

Our information statement is filed as Exhibit 99.1 to this Form 10. For your convenience, we have provided below a cross-reference sheet identifying where the items required by Form 10 can be found in the Information Statement.

<u>Item No.</u>	<u>Caption</u>	<u>Location in Information Statement</u>
Item 1.	Business	See "Executive Summary," "The Spin-Off," "Capitalization and Financing," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Certain Relationships and Related Party Transactions"
Item 1A.	Risk Factors	See "Risk Factors"
Item 2.	Financial Information	See "Capitalization and Financing," "Unaudited Pro Forma Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"
Item 3.	Properties	See "Business — Properties"
Item 4.	Security Ownership of Certain Beneficial Owners and Management	See "Security Ownership of Certain Beneficial Owners and Management"
Item 5.	Directors and Executive Officers	See "Management"
Item 6.	Executive Compensation	See "Director Compensation" and "Executive Compensation"
Item 7.	Certain Relationships and Related Transactions, and Director Independence	See "Management" and "Certain Relationships and Related Party Transactions"
Item 8.	Legal Proceedings	See "Legal Proceedings"
Item 9.	Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters	See "Executive Summary" and "Dividend Policy"
Item 10.	Recent Sales of Unregistered Securities	Not applicable
Item 11.	Description of Registrant's Securities to be Registered	See "The Spin-Off," "Dividend Policy" and "Description of Our Capital Stock"
Item 12.	Indemnification of Directors and Officers	See "Limitation of Liability and Indemnification of Directors and Officers"
Item 13.	Financial Statements and Supplementary Data	See "Unaudited Pro Forma Financial Statements" and "Index to Financial Statements" and the statements referenced therein
Item 14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not applicable
Item 15.	Financial Statements and Exhibits	See "Unaudited Pro Forma Financial Statements" and "Index to Financial Statements" and the statements referenced therein

(a) List of Financial Statements and Schedules

The following financial statements are included in the Information Statement and filed as part of this Registration Statement on Form 10:

- (1) Financial Statements of Parametric Sound Corporation, including Report of Independent Registered Public Accounting Firm and
- (2) Unaudited Interim Financial Statements of Parametric Sound Corporation

(b) Exhibits

The following documents are filed as exhibits hereto unless otherwise indicated:

Exhibit No.	Exhibit Description
2.1	Form of Separation and Distribution Agreement by and between LRAD Corporation and Parametric Sound Corporation
3.1	Articles of Incorporation of Parametric Sound Corporation
3.2	Bylaws of Parametric Sound Corporation
4.1*	Form of Common Stock Certificate of Parametric Sound Corporation
4.2*	Form of Stock Purchase Warrant
4.3*	Form of 8% Subordinated Promissory Note
10.1	Form of Tax Sharing Agreement by and between Parametric Sound Corporation and LRAD Corporation
10.2	Form of License and Royalty Agreement between Syzygy Licensing LLC and Parametric Sound Corporation
10.3	Parametric Sound Corporation 2010 Stock Option Plan
10.4	Form of Stock Option Grant Notice and Stock Option Agreement under the 2010 Stock Option Plan
10.5	Form of Indemnification Agreement to be entered into between Parametric Sound Corporation and its directors and officers
99.1	Preliminary Information Statement of Parametric Sound Corporation, dated [_____], 2010

* To be filed by amendment.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

PARAMETRIC SOUND CORPORATION

Dated: June 23, 2010

By: /s/ ELWOOD G. NORRIS

Name: Elwood G. Norris

Title: Chief Executive Officer

EXHIBIT INDEX

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SEPARATION AND DISTRIBUTION AGREEMENT

THIS SEPARATION AND DISTRIBUTION AGREEMENT (the "Agreement"), dated as of [_____], 2010, is entered into by and between LRAD Corporation, a Delaware corporation ("LRAD"), and Parametric Sound Corporation, a Nevada corporation ("Parametric") (each, a "Party," and collectively, the "Parties").

R E C I T A L S

WHEREAS, the Board of Directors of LRAD has determined that it is in the best interests of LRAD and its stockholders to separate its HyperSonic Sound ("HSS") business through a tax-free spin-off transaction (the "Separation");

WHEREAS, in order to effect the Separation, the Board of Directors of LRAD has determined that it is in the best interests of LRAD and its stockholders to distribute to its stockholders, on a pro rata basis, all of the Parametric Common Stock (the "Distribution"); and

WHEREAS, the Parties intend in this Agreement to set forth the principal corporate arrangements between the Parties with respect to the Separation and the Distribution;

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, LRAD and Parametric mutually covenant and agree as follows:

**ARTICLE 1
DEFINITIONS**

Section 1.1. General. As used in this Agreement, the following capitalized terms shall have the following meanings:

"Action" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"Affiliate" means, when used with respect to a specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person, including, without limitation, a Subsidiary (as defined below). As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or other interests, by contract or otherwise.

"Agent" shall have the meaning set forth in Section 3.1(a).

"Ancillary Agreements" means all of the agreements, instruments, assignments or other arrangements entered into in connection with the transactions contemplated hereby.

"Assets" means assets, properties, claims and rights (including goodwill), wherever located (including in the possession of vendors or other Third Parties or elsewhere on behalf of the owner), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the records or financial statements of any Person.

"Combined Books and Records" shall have the meaning set forth in Section 5.1(c).

“Commission” means the United States Securities and Exchange Commission or any successor agency thereto.

“Consents” means any consents, waivers or approvals from, or notification requirements to any Third Parties.

“Contract” means any contract, obligation, indenture, agreement, lease, purchase order, commitment, permit, license, note, bond, mortgage, arrangement or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under applicable Law, but excluding this Agreement and any Ancillary Agreement save as otherwise expressly provided in this Agreement or any Ancillary Agreement.

“Distribution” shall have the meaning set forth in the recitals hereto.

“Distribution Date” means the date upon which the Distribution shall be effective, as determined by the Board of Directors of LRAD.

“Effective Time” means 11:59 p.m. EDT on the Distribution Date at which time the Distribution is effective.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time that reference is made thereto.

“Excluded Assets” means any and all Assets of LRAD not expressly transferred to Parametric pursuant to this Agreement, including without limitation the Assets set forth on Schedule 1.1 hereto under the caption “Excluded Assets”.

“Form 10” means the registration statement on Form 10 filed by Parametric with the Commission relating to the Parametric Common Stock, as amended from time to time.

“Governmental Approvals” means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

“Governmental Authority” means any federal, state, local, foreign or international court, government department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

“HSS” shall have the meaning set forth in the Recitals.

“Indemnifying Party” shall have the meaning set forth in Section 4.7(c).

“Indemnitee” shall have the meaning set forth in Section 4.7(c).

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including without limitation, studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), communications and materials otherwise related to or made or prepared in connection with or in preparation for any legal proceeding, and other technical, financial, employee or business information or data.

“Intellectual Property” means all intellectual property and industrial property rights of any kind or nature, including all United States and foreign (i) patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof, (ii) trademarks and all goodwill associated therewith, (iii) copyrights and copyrightable subject matter, whether statutory or common law, registered or unregistered and published or unpublished, (iv) rights of publicity, (v) moral rights and rights of attribution and integrity, (vi) rights in Software, (vii) trade secrets and all other confidential and proprietary information, know-how, inventions, improvements, processes, formulae, models and methodologies, (viii) rights to personal information, (ix) telephone numbers and internet protocol addresses, (x) applications and registrations for the foregoing, and (xi) rights and remedies against past, present, and future infringement, misappropriation, or other violation of the foregoing.

“Law” means any federal, national, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

“Liabilities” means any and all debts, liabilities, and obligations, whether accrued or fixed, known or unknown, absolute or contingent, matured or unmatured, reserved or unreserved of any kind or nature whatsoever.

“LRAD Books and Records” shall have the meaning set forth in Section 5.1(b).

“LRAD Business” means all of the business and operations of LRAD and its Subsidiaries other than the Parametric Business.

“LRAD Common Stock” means the Common Stock, \$0.00001 par value per share, of LRAD.

“LRAD Liabilities” means the Liabilities of LRAD, which, for the avoidance of doubt, shall not include any Parametric Liabilities.

“LRAD Policies” means all insurance policies and insurance Contracts of any kind (other than life and benefits policies or Contracts), together with the rights, benefits and privileges thereunder, current or past, which are owned or maintained by LRAD under which HSS products are covered.

“Operations Data” shall have the meaning set forth in Section 5.2.

“Parametric Assets” means (a) any and all Assets reflected in the Parametric Balance Sheet, and any and all Intellectual Property used primarily in the Parametric Business, which have not been disposed of or removed from the Parametric Balance Sheet between the date of the Parametric Balance Sheet and the Distribution Date, (b) any and all Assets acquired by Parametric (or LRAD on behalf of Parametric) after the date of the Parametric Balance Sheet that would be reflected in the balance sheet of Parametric as of the Distribution Date, if such balance sheet was prepared by Parametric in accordance with the same accounting principles under which the Parametric Balance Sheet was prepared, and (c) any other Assets expressly set forth on Schedule 1.1 hereto under the caption “Parametric Assets”. For the avoidance of doubt, (a) Parametric Assets shall not include any cash or cash equivalents, accounts receivable (whether related to the Parametric business or otherwise) or any net operating losses, research and development credits or other tax attributes of LRAD and its Subsidiaries whether or not relating to the Parametric Business, (b) Parametric Assets shall not include any Excluded Assets and (c) Parametric Assets shall not include any Retained HSS Assets until assigned in accordance with Section 2.2.

"Parametric Balance Sheet" means the [unaudited] balance sheet of Parametric as of March 31, 2010 included in the Form 10 and attached hereto as Schedule 1.2.

"Parametric Books and Records" shall have the meaning set forth in Section 5.1(a).

"Parametric Business" means all of the business and operations of the HSS technology business of LRAD as described in the Form 10.

"Parametric Common Stock" means the Common Stock, \$0.001 par value per share, of Parametric.

"Parametric Liabilities" means (a) any and all Liabilities reflected in the Parametric Balance Sheet, (b) any and all Liabilities resulting from or accrued in the operation of the Parametric Business after the date of the Parametric Balance Sheet that would be reflected in the balance sheet of Parametric as of the Distribution Date if such balance sheet was prepared by Parametric in accordance with the same accounting principles under which the Parametric Balance Sheet was prepared, (c) any and all Liabilities asserted before or after the Distribution Date relating to, arising out of, or resulting from any Parametric Asset(s) or the operation of the Parametric Business or any other business conducted by Parametric or any Affiliate of Parametric after the Distribution Date, (d) any and all other Liabilities of Parametric relating to, arising out of or resulting from Parametric's performance or obligations under any Ancillary Agreement or this Agreement, and (e) any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement to be transferred to Parametric.

"Party" shall have the meaning set forth in the preamble hereof.

"Person" means any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership or other organization or entity, whether incorporated or unincorporated, or any governmental entity.

"Record Date" means the close of business on [_____], 2010, the date determined by the LRAD Board of Directors as the record date for the Distribution.

"Retained HSS Assets" shall mean the Assets expressly set forth on Schedule 1.1 hereto under the caption "Retained HSS Assets".

"Retained HSS Liabilities" shall mean all Parametric Liabilities incurred prior to the Distribution Date, including but not limited to any vendor liabilities, warranty liabilities and payroll or other liabilities, and any Liabilities for or resulting from the HSS business retained by LRAD pursuant to Section 2.2.

"Separation" shall have the meaning set forth in the recitals hereto.

"Software" means all computer programs (whether in source code, object code or other form), algorithms, databases and data, and technology supporting the foregoing, and all documentation, including flowcharts and other logic and design diagrams, technical, functional and other specifications, and user manuals and training materials related to any of the foregoing.

"Subsidiary" means any corporation or other organization of which at least a majority of the securities or interests have voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by a Person.

"Third Party," means any Person other than LRAD, Parametric or Affiliate thereof.

"Third Party Claim" shall have the meaning set forth in Section 4.7(c).

"Transfer" shall have the meaning set forth in Section 2.1(a).

Section 1.2. References; Interpretation. References in this Agreement to the singular shall include the plural and vice versa and words of one gender shall include the other gender as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Agreement. Article, Section, Exhibit and Schedule references are to the Articles, Sections, Exhibits and Schedules to this Agreement unless otherwise specified. The word "including" and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) means "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive.

ARTICLE 2 THE SEPARATION

Section 2.1. Transfer of Assets.

(a) As of the date hereof and with effect immediately prior to the Effective Time, LRAD hereby transfers, contributes, assigns, distributes and conveys to Parametric all of LRAD's right, title and interest in and to the Parametric Assets (the "Transfer") pursuant to, and so as to qualify as a contribution to capital under, section 351 of the Internal Revenue Code of 1986, as amended. Parametric hereby accepts such Transfer from LRAD, effective concurrently therewith.

(b) Except as otherwise specifically set forth in this Agreement or any Ancillary Agreement, Parametric shall not accept, assume or be responsible for any Parametric Liabilities incurred by LRAD prior to or after the Distribution Date.

(c) If at any time (whether prior to or after the Effective Time) either Party hereto shall receive or otherwise possess an Asset that is allocated to any other Person pursuant to this Agreement or any Ancillary Agreement, such Party shall promptly transfer or cause to be transferred, at such Party's expense, for no additional consideration, such Asset, including any and all economic benefits generated from such Asset after the Effective Time, to such Party hereto.

(d) In furtherance of the Transfer, and simultaneously with the execution and delivery of this Agreement LRAD shall execute and deliver, and shall cause its Affiliates to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the Transfer.

(e) LRAD shall be responsible for all Retained HSS Liabilities.

Section 2.2. Retention and Use of Certain HSS Assets. Notwithstanding the foregoing, the Retained HSS Assets will not be assigned by LRAD to Parametric under Section 2.1. Following the Distribution Date, LRAD shall have the right to use the Retained HSS Assets on a royalty-free basis to (a) fill any orders for such Retained HSS Assets that are received prior to the Distribution Date, (b) accept and fill continuing purchase orders for LRAD's current project with Cardinal Health, Inc. through the completion of such project, (c) accept unsolicited follow-on orders for LRAD's H450 product from current customers through December 31, 2010; provided that LRAD may not actively pursue new H450 or HSS business after the Distribution Date, and (d) provide warranty services for its H450 customers at its cost through any applicable warranty term. All Retained HSS Assets shall be automatically assigned to Parametric as of and when determined by LRAD to be unnecessary to meet the foregoing requirements. LRAD agrees that it will sell such additional HSS products in the ordinary course and without discounts in excess of 25% of its current sales prices.

Section 2.3. Governmental Approvals; Consents.

(a) To the extent that the Separation requires any Governmental Approvals or Consents, the Parties shall use commercially reasonable efforts to obtain any such Governmental Approvals and Consents. If and to the extent that the transfer or assignment of any Parametric Assets would violate applicable Law or require any Governmental Approval or Consent, then, unless LRAD shall otherwise determine, the transfer or assignment of such Parametric Assets shall be deemed deferred and any such purported transfer or assignment shall be null and void until such time as all legal impediments are removed and/or each of such Governmental Approval or Consent has been obtained. No Party shall be obligated to pay any consideration to any Third Party from whom any such Consent is requested.

(b) If the transfer of any Parametric Assets intended to be transferred hereunder is not consummated prior to the Effective Time for any reason, then LRAD shall thereafter hold such Parametric Asset for the use and benefit of Parametric entitled thereto if permitted by law. If and when the Governmental Approvals or Consents, or other impediments to transfer, that caused the deferral of transfer of such Asset are obtained or removed, the transfer of the applicable Asset shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(c) If the Parties are unable to obtain any required Governmental Approvals or Consents, LRAD shall continue to be bound by such Contract, license or other obligation; provided, however, that LRAD shall not be obligated to extend, renew or otherwise cause such Contract, license or other obligation to remain in effect beyond the term in effect as of the Effective Time. If and when any such Governmental Approval or Consent is obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or capable of novation, LRAD shall promptly assign, or cause to be assigned, all rights, obligations and other Liabilities thereunder to Parametric without payment of any further consideration and Parametric, without the payment of any further consideration, shall assume such rights and obligations and other Liabilities.

Section 2.4. Termination of Agreements. Except with respect to this Agreement and the Ancillary Agreements (and agreements expressly contemplated herein or therein to survive by their terms) on behalf of the Parties, the Parties hereby terminate any and all written or oral agreements, arrangements, commitments or understandings, between them, effective as of the Effective Time; and each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

Section 2.5. Disclaimer of Representations and Warranties. ON BEHALF OF THE PARTIES, THE PARTIES UNDERSTAND AND AGREE THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED, DISTRIBUTED OR ASSUMED HEREBY OR THEREBY, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HERewith OR THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, DISTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN "AS IS," "WHERE IS" BASIS AND, THE TRANSFEREE SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY CONSENTS OR GOVERNMENTAL APPROVALS ARE NOT OBTAINED OR THAT THE REQUIREMENTS OF LAWS, CONTRACTS, OR JUDGMENTS ARE NOT COMPLIED WITH.

ARTICLE 3
THE DISTRIBUTION

Section 3.1. The Distribution.

(a) Subject to Section 3.3, on or prior to the Distribution Date, for the benefit of and distribution to the holders of LRAD Common Stock on the Record Date, LRAD will deliver stock certificates, endorsed by LRAD in blank, to the distribution agent, Interwest Transfer Company (the "Agent"), representing all of the outstanding and issued shares of Parametric Common Stock then owned by LRAD. LRAD shall instruct the Agent to electronically distribute the appropriate number of such shares of Parametric Common Stock to each such holder or designated transferee or transferees of such holder.</div>

(b) Subject to Section 3.3, each holder of LRAD Common Stock on the Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the Distribution as of the Effective Time one (1) share of Parametric Common Stock for each two (2) shares of LRAD Common Stock held of record on the Record Date. No fractional shares will be issued. In the event a holder of LRAD Common Stock would otherwise be entitled to a fractional share of Parametric Common Stock, the number of shares of Parametric Common Stock such holder of LRAD Common Stock will receive in the Distribution will be rounded up to the nearest whole number of shares of Parametric Common Stock. No action by any such stockholder shall be necessary for such stockholder (or such stockholder's designated transferee or transferees) to receive the shares of Parametric Common Stock. Parametric and LRAD, as the case may be, will provide to the Agent any and all information required in order to complete the Distribution.

Section 3.2. Actions in Connection with the Distribution.

(a) Prior to the Distribution Date, LRAD and Parametric shall have prepared and mailed to the holders of LRAD Common Stock such information concerning Parametric, the Parametric Business, operations and management, the Distribution, the Separation and such other matters as LRAD shall reasonably determine and as may be required by law.

(b) Parametric shall have prepared and, in accordance with applicable Law, filed with the Commission the Form 10, including amendments, supplements and any such other documentation which is necessary or desirable to effectuate the Distribution, and Parametric shall have obtained all necessary approvals from the Commission with respect thereto as soon as practicable.

(c) LRAD and Parametric shall take all such action as may be necessary or appropriate under the securities or blue sky laws of the states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the Distribution.

(d) DELETED.

(e) Parametric shall have prepared and filed an application for the original listing on the OTC Bulletin Board of the Parametric Common Stock to be distributed in the Distribution, and the OTC Bulletin Board shall have approved such application and provided the appropriate certification to the Commission.

(f) LRAD and Parametric shall take all reasonable steps necessary to cause the conditions set forth in Section 3.3 to be satisfied and to effect the Distribution on the Distribution Date.

Section 3.3. Conditions to Distribution. Subject to Section 3.2, the following are conditions to the consummation of Distribution. The conditions are for the sole benefit of LRAD and shall not give rise to or create any duty on the part of LRAD or the Board of Directors of LRAD to waive or not waive any such condition:

(a) The Form 10 shall have been declared effective by the Commission, with no stop order in effect with respect thereto.

(b) All material Government Approvals and other Consents necessary to consummate the Distribution shall have been obtained and be in full force and effect.

(c) No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect and no other event outside the control of LRAD shall have occurred or failed to occur that prevents the consummation of the Distribution.

(d) The Board of Directors of LRAD shall have authorized and approved the Distribution and not withdrawn such authorization and approval.

(e) No other events or developments shall have occurred that, in the sole discretion of the Board of Directors of LRAD, would result in the Distribution having a material adverse effect on LRAD or on the stockholders of LRAD or not being in the best interest of LRAD and its stockholders.

ARTICLE 4 COVENANTS

Section 4.1. Solicitation and Hiring. Neither LRAD nor Parametric from the Distribution Date through and including the two (2) year anniversary of the Distribution Date, without prior written consent of the other Party, will solicit, aid, encourage or induce any employee to terminate or breach an employment, contractual or other relationship with the other Party (or its Affiliates), hire or otherwise employ any employee of the other Party; provided, however, that Parametric shall be permitted to hire David Pratt, and provided, further, that nothing in this Section 4.1 shall be deemed to prohibit any general solicitation for employment through advertisements and search firms not specifically directed at employees of such other applicable Party.

Section 4.2. Warrant Exercises. If any warrants to purchase shares of capital stock of LRAD that are outstanding on the Distribution Date are exercised following the Distribution Date, then Parametric will issue to the holder of such warrants such number of shares of Parametric Common Stock as is required by the applicable warrant. If the closing price per share of LRAD Common Stock on the date such warrants are exercised is less than the exercise price of such warrants, then LRAD will pay to Parametric an amount equal to the number of shares of LRAD Common Stock issued upon such exercise multiplied by the difference between the exercise price and the closing price per share of LRAD Common Stock on the date the warrants are exercised, up to a maximum of \$0.25 per share of LRAD Common Stock issued. For example if the closing price of LRAD Common Stock on the date of exercise is \$2.50 and warrants to purchase 1,000,000 shares are exercised then LRAD will retain \$2.50 per exercised share (or \$2,500,000) and will pay to Parametric \$0.17 per exercised share of LRAD Common Stock (or \$170,000) for the 500,000 shares Parametric will be required to issue.

Section 4.3. Post Closing Cooperation. LRAD agrees for a reasonable time following the Distribution Date to provide to Parametric reasonable training regarding use of certain of the Parametric Assets and manufacturing parts or elements of the HSS products. Parametric agrees to permit LRAD to use the manufacturing equipment that is part of the Parametric Assets until December 31, 2010 to manufacture, using components and parts owned by LRAD, the additional H450 products that LRAD may require to fulfill orders and warranty obligations as permitted hereunder. In addition to the foregoing, each of the Parties agrees to cooperate with the other Party in good faith to provide for the manufacturing needs of such other Party. Any additional terms and conditions of such cooperation shall be determined by the mutual, good faith agreement of the Parties.

Section 4.4. Insurance.

(a) Following the cessation of coverage of HSS products under an LRAD Policy, if (i) an occurrence for which coverage is available under any such LRAD Policy happens prior to the date of the last delivery by LRAD of an HSS product in accordance with this Agreement and (ii) a claim arising therefrom has been or is eventually asserted against Parametric (including any officer, director, employee or agent thereof), so long as such claim is reported by Parametric to the carrier (with a copy to LRAD), in accordance with the reporting provision of the applicable policy, then LRAD will (A) continue to provide Parametric with access to and coverage under the applicable LRAD Policies and (B) reasonably cooperate with Parametric and take commercially reasonable actions as may be necessary or advisable to assist Parametric in submitting such claims under the applicable LRAD Policies, provided that Parametric shall be responsible for its portion of any deductibles or self-insured retentions or co-payments legally due and owing relating to such claims. For the avoidance of doubt, if an occurrence for which coverage is available under any such LRAD Policy happens after the Effective Time (and is not attributable and related to an occurrence which occurred prior to the Effective Time), or a claim arising from an occurrence prior to the Effective Time is not reported by Parametric to LRAD on or before the date when such occurrence must be reported to the carrier under the applicable LRAD Policy, then no payment for any damages, costs of defense, or other sums with respect to such claim shall be available to Parametric under such LRAD Policies. On or prior to the Distribution Date, Parametric shall obtain reasonable and customary insurance policies covering its operations and products following the Distribution Date.

(b) With respect to all LRAD Policies, Parametric agrees and covenants (on behalf of itself and each Affiliate of Parametric) (i) not to make any claim or assert any rights against LRAD, or the unaffiliated third-party insurers of such LRAD Policies, except as expressly provided under this Section 4.2, and (ii) to otherwise reasonably cooperate with LRAD and take commercially reasonable actions as may be necessary or advisable to assist LRAD in fulfilling its obligations under the applicable LRAD Policies as set forth in this Section 4.2.

Section 4.5. Confidentiality.

(a) Notwithstanding any termination of this Agreement and subject to Section 4.5(c), for a period of two (2) years from the Distribution Date, each Party agrees to hold, and to cause its respective Affiliates, directors, officers, employees, agents, accountants, counsel and other advisors and representatives to hold, in strict confidence, and undertake all reasonable precautions to safeguard and protect the confidentiality of, all Information concerning the other Party that is in its possession after the Distribution Date or furnished by the other Party or its respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information has been (i) in the public domain through no fault of such Party or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) lawfully acquired from other sources, which are not bound by a confidentiality obligation, by such Party, or (iii) independently generated without reference to any proprietary or confidential Information of the other Party.

(b) Each Party agrees not to release or disclose, or permit to be released or disclosed, any such Information to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information and who are informed and advised that the Information is confidential and subject to the obligations hereunder, except in compliance with Section 4.5(c). Without limiting the foregoing, when any Information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each Party will promptly after request of the other Party either (i) destroy all copies of the Information in such Party's possession, custody or control (including any that may be stored in any computer, word processor, or similar device, to the extent not commercially impractical to destroy such copies) including, without limitation, any copies, summaries, analyses, reports, extracts or other reproductions, in whole or in part, of such written, electronic or other tangible material or any other materials in written, electronic or other tangible format based on, reflecting or containing Information prepared by such Party, and/or (ii) return to the requesting Party, at the expense of the requesting Party, all copies of the Information furnished to such Party by or on behalf of the requesting Party.

(c) In the event that either Party (i) determines after consultation with counsel, in the opinion of such counsel that it is required by law to disclose any Information or (ii) receives any demand under lawful process or from any Governmental Authority to disclose or provide Information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing or providing such Information and shall cooperate at the expense of the requesting party (and to the extent legally permissible) in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that received such request may thereafter (1) furnish only that portion of the confidential Information that is legally required, (2) give notice to the other Party of the information to be disclosed as far in advance as is practical, and (3) exercise reasonable best efforts to obtain reliable assurance that the confidential nature of such Information shall be maintained.

Section 4.6. Litigation cooperation.

(a) Each of L/RAD and Parametric agrees that at all times from and after the Effective Time, if an Action currently exists or is commenced by a third-party with respect to which a Party is a named defendant but such Action is otherwise not a Liability allocated to such named Party under this Agreement or any Ancillary Agreement, then the other Party shall use commercially reasonable efforts to cause such named but not liable defendant to be removed from such Action and such defendant shall not be required to make any payments or contribution in connection therewith.

(b) Each of LRAD and Parametric shall each use commercially reasonable efforts to make available to the other, upon written request, its officers, directors, employees and agents, and the officers, directors, employees and agents thereof, as witnesses to the extent that such individuals may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting Party may be involved. The requesting Party shall bear all out-of-pocket expenses in connection therewith. On and after the Effective Time, in connection with any matter contemplated by this [Section 4.6](#), the Parties will maintain any attorney-client privilege or work product immunity of each Party as required by this Agreement or any Ancillary Agreement.

Section 4.7. [Indemnification](#)

(a) Except as otherwise provided in this Agreement or any Ancillary Agreement, following the Distribution Date, Parametric shall indemnify, defend and hold harmless LRAD and its Affiliates, including each of their respective directors and officers, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "[LRAD Indemnitees](#)"), from and against any and all Liabilities and related losses of the LRAD Indemnitees relating to, arising out of or resulting from any of (a) the failure of Parametric or its Affiliates or any other Person to pay, perform or otherwise promptly discharge after the Distribution Date any Parametric Liabilities incurred after the Distribution in accordance with their respective terms, (b) any untrue statement, alleged untrue statement, omission or alleged omission of a material fact in the Form 10, resulting in a misleading statement, with respect to all information contained in the Form 10, and (c) any breach by Parametric of this Agreement or any of the Ancillary Agreements.

(b) Except as otherwise provided in this Agreement or any Ancillary Agreement, following the Distribution Date, LRAD shall indemnify, defend and hold harmless Parametric, and its Affiliates, including each of their respective directors and officers, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "[Parametric Indemnitees](#)"), from and against any and all Liabilities and related losses of the Parametric Indemnitees relating to, arising out of or resulting from any of (a) the failure of LRAD or its Affiliates to pay, perform or otherwise promptly discharge after the Distribution Date any LRAD Liabilities, (b) the LRAD Liabilities, (c) the Retained HSS Liabilities, and (d) any breach by LRAD of this Agreement or any of the Ancillary Agreements.

(c) If a party entitled to indemnification hereunder (an "[Indemnitee](#)") shall receive notice or otherwise learn of the assertion by a Third Party (including any Governmental Authority) of any claim or of the commencement by any such Person of any Action (collectively, a "[Third Party Claim](#)") with respect to which a party required to provide indemnification hereunder (an "[Indemnifying Party](#)") may be obligated to provide indemnification to such Indemnitee, such Indemnitee shall give such Indemnifying Party and each Party to this Agreement written notice thereof as soon as reasonably practicable, but no later than thirty (30) days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. If any Party shall receive notice or otherwise learn of the assertion of a Third Party Claim which may reasonably be determined to be a Liability of the Parties, such Party shall give the other Party to this Agreement written notice thereof within thirty (30) days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Party to give notice as provided in this [Section 4.7\(c\)](#) shall not relieve the related Indemnifying Party of its obligations under this [ARTICLE 4](#), except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(i) An Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim, at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel; provided that if the defendants in any such claim include both the Indemnifying Party and one or more Indemnitees and in such Indemnitees' reasonable judgment a conflict of interest between such Indemnitees and such Indemnifying Party exists in respect of such claim, such Indemnitees shall have the right to employ separate counsel and in that event the reasonable fees and expenses of such separate counsel (but not more than one separate counsel reasonably satisfactory to the Indemnifying Party) shall be paid by such Indemnifying Party. Within thirty (30) days after the receipt of notice from an Indemnitee in accordance with Section 4.7 (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee.

(ii) With respect to any Third Party Claim, the Indemnifying Party and Indemnitees agree, and shall cause their respective counsel (if applicable), to cooperate fully (in a manner that will preserve all attorney-client privilege or other privileges) to mitigate any such claim and minimize the defense costs associated therewith.

(iii) If an Indemnifying Party fails to assume the defense of a Third Party Claim within thirty (30) days after receipt of written notice of such claim, the Indemnitee will, upon delivering notice to such effect to the Indemnifying Party, have the right to undertake the defense, compromise or settlement of such Third Party Claim on behalf of and for the account of the Indemnifying Party subject to the limitations as set forth in this Section 4.7(c); provided, however, that such Third Party Claim shall not be compromised or settled without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, delayed or conditioned. If the Indemnitee assumes the defense of any Third Party Claim, it shall keep the Indemnifying Party reasonably informed of the progress of any such defense, compromise or settlement. The Indemnifying Party shall reimburse all such costs and expenses of the Indemnitee in the event it is ultimately determined that the Indemnifying Party is obligated to indemnify the Indemnitee with respect to such Third Party Claim. In no event shall an Indemnifying Party be liable for any settlement effected without its consent, which consent will not be unreasonably withheld, delayed or conditioned.

(d) Any claim on account of a Liability or related loss which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such sixty (60) day period, such Indemnifying Party shall be deemed to have accepted responsibility to make payment. If such Indemnifying Party rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

(e) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense (including allocated costs of in-house counsel and other in-house personnel) of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(f) In the event of an Action in which the Indemnifying Party is not a named defendant, if the Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant, and add the Indemnifying Party as a named defendant if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this section and subject to Section 4.7 with respect to Liabilities, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses, and the allocated costs of in-house counsel and other in-house personnel), the costs of any judgment or settlement, and the costs of any interest or penalties relating to any judgment or settlement.

(g) The rights and obligations of each Party and their respective Indemnitees under this Section 4.7 shall survive the sale or other transfer by any Party or its Affiliates of any Assets or businesses or the assignment by it of any and all Liabilities.

ARTICLE 5 ACCESS TO INFORMATION AND SERVICES

Section 5.1. Provision of Corporate Records.

(a) Except as otherwise provided in any Ancillary Agreement, upon the prior written request by Parametric for specific and identified books and records which relate to (x) Parametric or the conduct of the Parametric Business, as the case may be, up through the Distribution Date, or (y) any Ancillary Agreement to which Parametric and LRAD are parties (the "Parametric Books and Records"), LRAD shall, at the expense of Parametric, provide for the transport of the Parametric Books and Records in its possession or control to a location provided by Parametric as soon as practicable but no later than thirty (30) days following the date of such request, except to the extent such items are already in the possession of Parametric or a Parametric Affiliate.

(b) Except as otherwise provided in any Ancillary Agreement, upon the prior written request by LRAD for specific and identified books and records which relate to (x) LRAD or the conduct of the LRAD Business, as the case may be, up through the Distribution Date, or (y) any Ancillary Agreement to which Parametric and LRAD are parties (the "LRAD Books and Records"), Parametric shall, at the expense of LRAD, provide the transport of the LRAD Books and Records in its possession or control to a location provided by LRAD as soon as practicable but no later than thirty (30) days following the date of such request, except to the extent such items are already in the possession of LRAD or a LRAD Affiliate.

(c) With respect to books and records that relate to both the Parametric Business and the LRAD Business (the "Combined Books and Records"), (i) the Parties shall use good faith efforts to divide such Combined Books and Records into Parametric Books and Records and LRAD Books and Records, as appropriate, and (ii) to the extent such Combined Books and Records are not so divided, each Party shall each keep and maintain copies of such Combined Books and Records as reasonably appropriate under the circumstances, subject to applicable confidentiality provisions hereof and of any Ancillary Agreement.

Section 5.2. Access to Information. Except as otherwise provided in an Ancillary Agreement, from and after the Distribution Date, LRAD shall provide Parametric and its authorized accountants, counsel and other designated representatives reasonable access and duplicating rights during normal business hours to all records, books, contracts, instruments, computer data and other data and information relating to pre-Distribution operations of the Parametric Business (collectively, "Operations Data") within LRAD's possession or control (including using reasonable best efforts to give access to persons or firms possessing information) insofar as such access is reasonably required by Parametric for the conduct of the Parametric Business, subject to appropriate restrictions for classified or privileged information. Similarly, except as otherwise provided in an Ancillary Agreement, Parametric shall provide LRAD and its authorized accountants, counsel and other designated representatives reasonable access (including using reasonable best efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to Operations Data, within Parametric's possession, insofar as such access is reasonably required by LRAD for the conduct of the LRAD Business, subject to appropriate restrictions for classified or privileged information. Operations Data and other documents may be requested under this ARTICLE 5 for the legitimate business purposes of either Party, including, without limitation, audit, accounting, claims (including claims for indemnification hereunder), litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations and for performing under this Agreement and the transactions contemplated hereby.

Section 5.3. Reimbursement. Except to the extent otherwise contemplated in any Ancillary Agreement, a Party providing Operations Data or witness services to the other Party under this ARTICLE 5 shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payments of such amounts, relating to supplies, disbursements and other out-of-pocket expenses (at cost) and direct and indirect expenses of employees who are witnesses or otherwise furnish assistance (at cost), as may be reasonably incurred in providing such Operations Data or witness services.

ARTICLE 6 FURTHER ASSURANCES

Section 6.1. Further Assurances. In addition to and without limiting the actions specifically provided in this Agreement, each of the Parties hereto shall use its reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements. Without limiting the foregoing, prior to, on and after the Distribution Date, each Party hereto shall cooperate with the other Party, and without any further consideration, but at the expense of the requesting Party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by the other Party hereto from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the Parametric Assets and the other transactions contemplated hereby and thereby.

ARTICLE 7 TERMINATION

Section 7.1. Termination. Notwithstanding anything to the contrary herein, this Agreement may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by and in the sole discretion of LRAD without the approval of Parametric or the stockholders of LRAD. In the event of such termination, no Party shall have any Liability to the other Party or any other Person. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by each of the Parties.

**ARTICLE 8
MISCELLANEOUS**

Section 8.1. Counterparts; Entire Agreement.

(a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, each of which shall be considered one and the same agreement, and shall become effective when each counterpart has been signed by each of the Parties and delivered to the other Party.

(b) This Agreement, the Ancillary Agreements and the Exhibit and Schedules hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. Except with respect to tax matters, in the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of any Ancillary Agreement, the terms and conditions of this Agreement (including amendments hereto) shall control.

Section 8.2. Governing Law. This Agreement, except as expressly provided herein, and, unless expressly provided therein, each Ancillary Agreement, shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware, irrespective of the choice of laws principles of the State of Delaware as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

Section 8.3. Tax Matters. Notwithstanding anything to the contrary in this Agreement, the rights and obligations of the Parties with respect to any and all tax matters shall be exclusively governed by the provisions of the Tax Sharing Agreement, except as set forth therein.

Section 8.4. Assignability. The provisions of this Agreement, each Ancillary Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns. Notwithstanding the foregoing, this Agreement shall not be assignable, in whole or in part, by any Party without the prior written consent of the other Party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void; provided, that (i) a Party may assign this Agreement in connection with a merger transaction in which such Party is not the surviving entity or the sale by such Party of all or substantially all of its Assets, and upon the effectiveness of such assignment the assigning Party shall be released from all of its obligations under this Agreement if the surviving entity of such merger or the transferee of such Assets shall agree in writing, in form and substance reasonably satisfactory to the other Party, to be bound by all terms of this Agreement as if named as a "Party" hereto.

Section 8.5. Third Party Beneficiaries. Except for the indemnification rights under this Agreement of any LRAD Indemnitee or Parametric Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no Third Party beneficiaries of this Agreement or any Ancillary Agreement and neither this Agreement nor any Ancillary Agreement shall provide any Third Party with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

Section 8.6. Notices. All notices, requests, claims, demands or other communications under this Agreement or any Ancillary Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) upon receipt after being deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to LRAD, to:
LRAD Corporation
15378 Avenue of Science, Suite 100
San Diego, California 92128
Attn: Thomas R. Brown
Facsimile: (858) 676-1112

If to Parametric, to:
Parametric Sound Corporation
1941 Ramrod Avenue, Suite 100
Henderson, Nevada 89014
Attn: Elwood G. Norris
Facsimile: (888) 639-2150

Either Party may, by notice to the other Party, change the address to which such notices are to be given.

Section 8.7. Severability. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to affect the original intent of the Parties.

Section 8.8. Publicity. Prior to the Distribution, each of Parametric and LRAD shall consult with each other prior to issuing any press releases or otherwise making public statements with respect to the Separation, the Distribution or any of the other transactions contemplated hereby and prior to making any filings with any Governmental Authority with respect thereto.

Section 8.9. Expenses. Except as expressly set forth in this Agreement or in any Ancillary Agreement, whether or not the Separation or the Distribution is consummated, all Third Party fees, costs and expenses paid or incurred in connection with the Separation and Distribution will be advanced by Elwood G. Norris. All such fees, costs and expenses so advanced shall be repaid by Parametric to Mr. Norris following the Distribution. Notwithstanding the foregoing, in the event LRAD unilaterally determines not to proceed with the Separation and Distribution (except as a result of the Commission not declaring the Form 10 effective or otherwise not providing any consent required), then LRAD shall reimburse Mr. Norris the amounts paid by Mr. Norris for expenses incurred by LRAD in connection with the Separation and Distribution.

Section 8.10. Headings. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.

Section 8.11. Survival of Covenants. Except as expressly set forth in any Ancillary Agreement, all covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and liability for the breach of any obligations contained herein, shall survive after the Distribution Date and remain in full force and effect in accordance with their applicable terms.

Section 8.12. Waivers of Default. The failure of either Party to require strict performance by the other Party of any provision in this Agreement or any Ancillary Agreement will not waive or diminish such Party's right to demand strict performance thereafter of that or any other provision hereof.

Section 8.13. Specific Performance. The Parties agree that irreparable damage would occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled, in addition to any other remedy or relief to which they may be entitled, to injunctive relief (including provisional or temporary injunctive relief) to enforce specifically the terms and provisions hereof and enforcement of any such award of an arbitral tribunal in any court of the United States, or any other any court or tribunal sitting in any state of the United States or in any foreign country that has jurisdiction.

Section 8.14. Amendments. This Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties.

Section 8.15. Waiver of Jury Trial. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY COURT PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF AND PERMITTED UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 8.15.

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives as of the day and year first above written.

LRAD Corporation,
a Delaware corporation

Parametric Sound Corporation,
a Nevada corporation

By:
Its:

By:
Its:

Schedule 1.1
Parametric Assets

The 27 U.S. patents, three foreign and four pending applications listed below with a book value of approximately \$501,500 at March 31, 2010. The technology related to the six additional U.S. patents previously abandoned by LRAD:

Assigned Patents

5859915, 5885129, 5889870, 6011855, 6016351, 6044160, 6151398, 6304662, 6466674, 6577738, 6584205, 6606389, 6628791, 6850623, 6925187, 7088830, 7109789, 7158646, 7162042, 7224219, 7224808, 7298853, 7319763, 7343017, 7376236, 7564981, 7596229

Assigned Foreign Patents

Japan 4249615, Japan 4301956 and Mexico 237866

Assigned Patent Applications

21980.NP, 21980.JP, 22151.PCT.US, 35924.NP and 35933.PCT.US

Abandoned Patents

6108427, 6108433, 6188772, 6199655, 6229899, 6359990

The following 4 U.S. trade names along with certain additional foreign rights to such names:

Assigned Trade Names

MODAMP, HSS, HYPERDIRECTIONAL, HYPERSONIC

Parts inventory consisting of emitter film and emitter and electronic parts with a book value of approximately \$23,434 and an original cost of approximately \$1,192,324, the difference being previous LRAD inventory reserves for excess parts.

Tooling and molds that have been fully depreciated and have no remaining book value.

Manufacturing jigs, testing and other equipment that have been fully depreciated and have no remaining book value.

Drawings, technical descriptions, assembly details and component listings.

Customer, representative and supplier lists.

Manufacturing methods, knowhow and trade secrets related to HSS and HSS production.

Excluded Assets

Cash

Accounts Receivable

Retained HSS Assets

Parts inventory with a book value of approximately \$184,734 and an original cost of approximately \$442,616, the difference being previous LRAD inventory reserves for excess parts.

ARTICLES OF INCORPORATION
OF
PARAMETRIC SOUND CORPORATION
A NEVADA CORPORATION

ARTICLE 1.
Company Name

1.1 The name of this corporation is **Parametric Sound Corporation**

ARTICLE 2.
Duration

2.1 The corporation shall continue in existence perpetually unless sooner dissolved according to law.

ARTICLE 3.
Purpose

3.1 The purpose for which the corporation is organized is to engage in any lawful activity within or outside of the State of Nevada.

3.2 The corporation may also maintain offices at such other places within or outside of the State of Nevada as it may from time to time determine. Corporate business of every kind and nature may be conducted, and meetings of directors and stockholders may be held outside the State of Nevada with the same effect as if held in the State of Nevada.

ARTICLE 4.
Board of Directors

4.1 **Number.** The board of directors of the Corporation shall consist of such number of persons, not less than one, as shall be determined in accordance with the bylaws from time to time.

ARTICLE 5.
Capital Stock

5.1 **Authorized Capital Stock.** The aggregate number of shares which this Corporation shall have authority to issue is fifty-one million (51,000,000) shares, consisting of (a) fifty million (50,000,000) shares of Common Stock, par value \$0.001 per share (the "Common Stock") and (b) one million (1,000,000) shares of preferred stock, par value \$0.001 per share (the "Preferred Stock"), issuable in one or more series as hereinafter provided. A description of the classes of shares and a statement of the number of shares in each class and the relative rights, voting power, and preferences granted to and restrictions imposed upon the shares of each class are as follows :

5.2 **Common Stock.** Each share of Common Stock shall have, for all purposes one (1) vote per share. Subject to the preferences applicable to Preferred Stock outstanding at any time, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, property or shares of stock of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor. The holders of Common Stock issued and outstanding have and possess the right to receive notice of stockholders' meetings and to vote upon the election of directors or upon any other matter as to which approval of the outstanding shares of Common Stock or approval of the common stockholders is required or requested.

5.3 **Preferred Stock.** The Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized, by resolution adopted and filed in accordance with law, to provide for the issue of such series of shares of Preferred Stock. Each series of shares of Preferred Stock:

- (a) may have such voting powers, full or limited, or may be without voting powers;
- (b) may be subject to redemption at such time or times and at such prices as determined by the Board of Directors;
- (c) may be entitled to receive dividends (which may be cumulative or non-cumulative) at such rate or rates, on such conditions and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of stock;
- (d) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation;
- (e) may be made convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation or such other corporation or other entity at such price or prices or at such rates of exchange and with such adjustments;
- (f) may be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of such series in such amount or amounts;
- (g) may be entitled to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional shares (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of, any outstanding shares of the Corporation; and
- (h) may have such other relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, in each case as shall be stated in said resolution or resolutions providing for the issue of such shares of Preferred Stock. Shares of Preferred Stock of any series that have been redeemed or repurchased by the Corporation (whether through the operation of a sinking fund or otherwise) or that, if convertible or exchangeable, have been converted or exchanged in accordance with their terms shall be retired and have the status of authorized and unissued shares of Preferred Stock of the same series and may be reissued as a part of the series of which they were originally a part or may, upon the filing of an appropriate certificate with the Secretary of State of the State of Nevada be reissued as part of a new series of shares of Preferred Stock to be created by resolution or resolutions of the Board of Directors or as part of any other series of shares of Preferred Stock, all subject to the conditions or restrictions on issuance set forth in the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of shares of Preferred Stock.

ARTICLE 6.
No Cumulative Voting

8.1 There shall be no cumulative voting of shares.

ARTICLE 7.
Indemnification of Officers and Directors

10.1 The Corporation shall indemnify its directors, officers, employee, fiduciaries and agents to the fullest extent permitted under the Nevada Revised Statutes.

10.2 Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that he or a person for whom he is the legal representative is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the law of the State of Nevada from time to time against all expenses, liability and loss (including attorney's fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith. Such right of indemnification shall be a contract right that may be enforced in any manner desired by such person. Such right of indemnification shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any Bylaw, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article.

10.3 Without limiting the application of the foregoing, the Board of Directors may adopt Bylaws from time to time with respect to indemnification to provide at all times the fullest indemnification permitted by the law of the State of Nevada and may cause the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the corporation would have the power to indemnify such person.

10.4 The private property of the Stockholders, Directors and Officers shall not be subject to the payment of corporate debts to any extent whatsoever.

10.5 No director, officer or stockholder shall have any personal liability to the corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, except that this provision does not eliminate nor limit in any way the liability of a director or officer for:

- (a) Acts or omissions which involve intentional misconduct, fraud or a knowing violation of law; or
- (b) The payment of dividends in violation of Nevada Revised Statutes (N.R.S.) 78.300.

IN WITNESS WHEREOF, I have hereunto set my hands this 1st day of June, 2010, hereby declaring and certifying that the facts stated hereinabove are true.

/s/ JAMES A. BARNES
By: James A. Barnes
Its: Incorporator

**BYLAWS
OF
PARAMETRIC SOUND CORPORATION
(A NEVADA CORPORATION)**

**ARTICLE I
OFFICES**

Section 1. Registered Office. The registered office of Parametric Sound Corporation (the “Corporation”) in the State of Nevada shall be in such location as the directors determine in the State of Nevada.

Section 2. Other Offices. The Corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II
CORPORATE SEAL**

Section 3. Corporate Seal. The corporate seal shall consist of a die bearing the name of the Corporation and the inscription, “Corporate Seal-Nevada.” Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

**ARTICLE III
STOCKHOLDERS’ MEETINGS**

Section 4. Place of Meetings. Meetings of the stockholders of the Corporation shall be held at such place, either within or without the State of Nevada, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the Corporation required to be maintained pursuant to Section 2 hereof.

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the Corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors; or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder’s notice must be delivered to or mailed and received at the principal executive offices of the Corporation not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year’s proxy statement, notice by

the stockholder to be timely must be so received not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or, in the event public announcement of the date of such annual meeting is first made by the Corporation fewer than seventy (70) days prior to the date of such annual meeting, the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder; (iv) any material interest of the stockholder in such business; and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(c) Only persons who are confirmed in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation in accordance with the provisions of paragraph (b) of this Section 5. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person; (B) the principal occupation or employment of such person; (C) the class and number of shares of the Corporation which are beneficially owned by such person; (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder; and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected), and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this Section 5. At the request of the Board of Directors, any person nominated by a stockholder for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

(d) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the Corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), and shall be held at such place, on such date, and at such time as the Board of Directors, shall determine.

(b) If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the Corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within sixty (60) days after the receipt of the request, the person or persons requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

Section 7. Notice of Meetings. Except as otherwise provided by law or the Articles of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Articles of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holder or holders of not less than fifty percent (50%) of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, all action taken by the holders of a majority of the votes cast, excluding abstentions, at any meeting at which a quorum is present shall be valid and binding upon the Corporation; provided, however, that directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Articles of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by the statute or by the Articles of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast, including abstentions, by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes, excluding abstentions. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the Corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Nevada law. An agent so appointed need not be a stockholder. No proxy shall be voted after six (6) months from its date of creation unless the proxy provides for a longer period, which may not exceed seven (7) years from the date of its creation.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; and (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally.

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 13. Action Without Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, or by the written consent of the stockholders in accordance with Chapter 78 of the Nevada Revised Statutes.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the Chief Executive Officer, or, if the Chief Executive Officer is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the Chief Executive Officer, shall act as secretary of the meeting.

(b) The Board of Directors of the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the Corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

(c) Stockholders may participate in a meeting of the stockholders by means of a telephone conference or similar method of communication by which all individuals participating in the meet can hear each other. Participation in a meeting pursuant to this section constitutes presence in person at the meeting.

**ARTICLE IV
DIRECTORS**

Section 15. Number, Tenure and Qualification.

(a) The authorized number of directors of the Corporation shall be not less than one (1) nor more than twelve (12) as fixed from time to time by resolution of the Board of Directors; provided that no decrease in the number of directors shall shorten the term of any incumbent directors.

(b) Each director who is elected as provided in this Section 15 shall serve until his or her successor is duly elected and qualifies.

(c) Directors shall be elected at the annual meeting of the stockholders of the Corporation by a plurality of votes. A separate vote for the election of directors shall be held at each meeting for each class of directors having nominees for election at such meeting.

(d) Directors need not be stockholders unless so required by the Articles of Incorporation. Each director must be a natural person at least 18 years of age. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 16. Powers. The powers of the Corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Articles of Incorporation.

Section 17. Vacancies. Unless otherwise provided in the Articles of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholder vote, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

Section 18. Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office for the unexpired portion of the term of the director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 19. Removal. Subject to the Articles of Incorporation, any director may be removed by the affirmative vote of the holders of a majority of the outstanding shares of the Corporation then entitled to vote, with or without cause. The Board of Directors of the corporation, by majority vote, may declare vacant the office of a director who has been convicted of a felony or who has been declared incompetent by an order of a court of competent jurisdiction.

Section 20. Meetings.

(a) **Annual Meetings.** The annual meeting of the Board of Directors shall be held immediately after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) **Regular Meetings.** Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the Corporation required to be maintained pursuant to Section 2 hereof. Unless otherwise restricted by the Articles of Incorporation, regular meetings of the Board of Directors may also be held at any place within or without the State of Nevada which has been designated by resolution of the Board of Directors or the written consent of all directors.

(c) **Special Meetings.** Unless otherwise restricted by the Articles of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Nevada whenever called by the Chairman of the Board, the Chief Executive Officer or any two of the directors.

(d) **Telephone Meetings.** Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) **Notice of Meetings.** Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, facsimile, telegraph or telex, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) **Waiver of Notice.** The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 21. Quorum and Voting.

(a) Unless the Articles of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 42 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time in accordance with the Articles of Incorporation, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Articles of Incorporation provided, however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Articles of Incorporation or these Bylaws.

Section 22. Action Without Meeting. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 23. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 24. Committees.

(a) **Executive Committee.** The Board of Directors may by resolution passed by a majority of the whole Board of Directors appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, including without limitation the power or authority to declare a dividend, to authorize the issuance of stock and to adopt a certificate of ownership and merger, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Articles of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the bylaws of the Corporation.

(b) **Other Committees.** The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, from time to time appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall such committee have the powers denied to the Executive Committee in these Bylaws.

(c) **Term.** Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to the provisions of subsections (a) or (b) of this Bylaw may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill a ny committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) **Meetings.** Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 24 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 25. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the Chief Executive Officer, or if the Chief Executive Officer is absent, the most senior Vice President, or, in the absence of any such officer, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, an Assistant Secretary directed to do so by the Chief Executive Officer, shall act as secretary of the meeting.

ARTICLE V OFFICERS

Section 26. Election. The Board of Directors shall elect and appoint a Chief Executive Officer, a President, a Secretary and a Treasurer at its annual meeting or at such other time or times as the Board of Directors shall determine. The Board of Directors may from time to time, by resolution, elect or appoint such other officers and agents as it may deem advisable and shall have such powers and duties and be paid such compensation as may be directed by the Board of Directors. Any individual may hold two or more offices. The election or appointment of an officer shall not of itself create contract rights.

Section 27. Tenure and Duties of Officers.

(a) **General.** All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) **Duties of Chairman of the Board of Directors.** The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no Chief Executive Officer, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the Corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 27.

(c) **Duties of Chief Executive Officer** The Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. The Chief Executive Officer shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. The Chief Executive Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) **Duties of President.** The President, subject to the supervision and control of the Board of Directors, any duly authorized committee thereof, and the Chief Executive Officer, shall in general actively supervise and control the business and affairs of the Corporation and, in the Chief Executive Officer's absence, at the request of the Board of Directors, the President shall perform all of the duties of the Chief Executive Officer and, in so performing, shall have all the powers of, and be subject to all restrictions upon, the Chief Executive Officer. The President shall perform such other duties and have such other powers which are delegated and assigned to him or her by the Board of Directors, the Chief Executive Officer, these Bylaws or as may be provided by law.

(e) **Duties of Vice Presidents.** The Vice Presidents shall act under the direction of the President and in the absence or disability of the President shall perform the duties and exercise the powers of the President. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice Presidents or may otherwise specify the order of seniority of the Vice Presidents. Unless otherwise specified, Executive Vice Presidents are senior to Vice Presidents. The duties and powers of the President shall descend to the Vice Presidents in such specified order of seniority. An Executive Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by resolution of the Board of Directors or by these bylaws to some other officer or agent of the Corporation or shall be required by applicable law otherwise to be signed or executed.

(f) **Duties of Secretary.** The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the Corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The Chief Executive Officer or the President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time.

(g) **Duties of Treasurer.** The Treasurer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors, the Chief Executive Officer or the President. The Treasurer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the Corporation. The Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time.

Section 28. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 29. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chief Executive Officer or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the Corporation under any contract with the resigning officer.

Section 30. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

**ARTICLE VI
EXECUTION OF CORPORATE INSTRUMENTS AND VOTING
OF SECURITIES OWNED BY THE CORPORATION**

Section 31. Execution of Corporate Instrument. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the Corporation any corporate instrument or document, or to sign on behalf of the Corporation the corporate name without limitation, or to enter into contracts on behalf of the Corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the Corporation.

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the Corporation, shall be executed, signed or endorsed by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President, and by the Secretary or the Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

All checks and drafts drawn on banks or other depositories on funds to the credit of the Corporation or in special accounts of the Corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 32. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the Corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

**ARTICLE VII
SHARES OF STOCK**

Section 33. Form and Execution of Certificates.

(a) Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by officers or agents designated by the Board of Directors for the purpose, certifying the number of shares of stock owned by him, her or it in the Corporation; *provided, however*, that the Board of Directors may authorize the issuance of uncertificated shares of some or all of any or all classes or series of the Corporation's stock. Any such issuance of uncertificated shares shall have no effect on existing certificates for shares until such certificates are surrendered to the Corporation, or on the respective rights and obligations of the stockholders. Whenever such certificate is countersigned or otherwise authenticated by a transfer agent or a transfer clerk and by a registrar (other than the Corporation), then a facsimile of the signatures of any corporate officers or agents, the transfer agent, transfer clerk or the registrar of the Corporation may be printed or lithographed upon the certificate in lieu of the actual signatures. In the event that any officer or officers who have signed, or whose facsimile signatures have been used on any certificate or certificates for stock cease to be an officer or officers because of death, resignation or other reason, before the certificate or certificates for stock have been delivered by the Corporation, the certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed the certificate or certificates, or whose facsimile signature or signatures have been used thereon, had not ceased to be an officer or officers of the Corporation. The Board of Directors may designate the Corporation's transfer agent as an agent of the Corporation with authority to sign the certificate in the name of the Corporation certifying the number of shares of stock owned by a holder of the Corporation's stock.

(b) Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written statement certifying the number of shares owned by him, her or it in the Corporation and, to the extent required by law, at least annually thereafter, the Corporation shall provide to such stockholders of record holding uncertificated shares, a written statement confirming the information contained in such written statement previously sent. Except as otherwise expressly provided by law, the rights and obligations of the stockholders shall be identical whether or not their shares of stock are represented by certificates.

(c) Each certificate representing shares shall state the following upon the face thereof: the name of the state of the Corporation's organization; the name of the person to whom issued; the number and class of shares and the designation of the series, if any, which such certificate represents; the par value of each share, if any, represented by such certificate or a statement that the shares are without par value. Certificates of stock shall be in such form consistent with law as shall be prescribed by the Board of Directors. No certificate shall be issued until the shares represented thereby are fully paid. In addition to the above, all certificates evidencing shares of the Corporation's stock or other securities issued by the Corporation shall contain such legend or legends as may from time to time be required by the Nevada Revised Statutes and/or such other federal, state or local laws or regulations then in effect.

Section 34. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. The Corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the Corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 35. Transfers.

(a) Transfers of record of shares of stock of the Corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the Nevada Revised Statutes.

Section 36. Fixing Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is filed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 37. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

ARTICLE VIII OTHER SECURITIES OF THE CORPORATION

Section 38. Execution of Other Securities. All bonds, debentures and other corporate securities of the Corporation, other than stock certificates (covered in Section 33), may be signed by the Chairman of the Board of Directors, the Chief Executive Officer or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer of the Corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the Corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the Corporation.

ARTICLE IX DIVIDENDS

Section 39. Declaration of Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Articles of Incorporation.

Section 40. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

**ARTICLE X
FISCAL YEAR**

Section 41. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board Directors.

**ARTICLE XI
INDEMNIFICATION**

Section 42. Indemnification of Directors, Executive Officers, Other Officers, Employees and Other Agents.

(a) **Directors Officers.** The Corporation shall indemnify its directors and officers to the fullest extent not prohibited by the Nevada Revised Statutes provided that the Corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the Corporation, (iii) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the Nevada Revised Statutes or (iv) such indemnification is required to be made under subsection (d).

(b) **Employees and Other Agents.** The Corporation shall have power to indemnify its employees and other agents as set forth in the Nevada Revised Statutes.

(c) **Expense.** The Corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the Corporation, or is or was serving at the request of the Corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the Corporation to an officer of the Corporation (except by reason of the fact that such officer is or was a director of the Corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation.

(d) **Enforcement.** Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the Corporation and the director or officer. Any right to indemnification or advances granted by this Bylaw to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the Corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standard of conduct that make it permissible under the Nevada Revised Statutes for the Corporation to indemnify the claimant for the amount claimed. In connection with any claim by an officer of the Corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such officer is or was a director of the Corporation) for advances, the Corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed in the best interests of the Corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Nevada Revised Statutes, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the Corporation.

(e) **Non-Exclusivity of Rights.** The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Nevada Revised Statutes.

(f) **Survival of Rights.** The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) **Insurance.** To the fullest extent permitted by the Nevada Revised Statutes, the Corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) **Amendments.** Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the Corporation.

(i) **Saving Clause.** If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(j) **Certain Definitions.** For the purposes of this Bylaw, the following definitions shall apply:

(i) The term “proceeding” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(ii) The term “expenses” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(iii) The term the “Corporation” shall include, in addition to the resulting Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent or another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(iv) References to a “director,” “executive officer,” “officer,” “employee” or “agent” of the Corporation shall include, without limitation, situations where such person is serving at the request of the Corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(v) References to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner not opposed to the best interests of the Corporation” as referred to in this Bylaw.

ARTICLE XII NOTICES

Section 43. Notices.

(a) **Notice to Stockholders.** Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the Corporation or its transfer agent.

(b) **Notice to Directors.** Any notice required to be given to any director may be given by the method stated in subsection (a), or by facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such 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.

(c) **Affidavit of Mailing.** An affidavit of mailing, executed by a duly authorized and competent employee of the Corporation or an agent of the Corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) **Time Notices Deemed Given.** All notices given by mail, as above provided, 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.

(e) **Methods of Notice.** It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) **Failure to Receive Notice.** The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such notice.

(g) **Notice to Person with Whom Communication Is Unlawful.** Whenever notice is required to be given, under any provision of law or of the Articles of Incorporation or Bylaws of the Corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Corporation is such as to require the filing of a certificate under any provision of the Nevada Revised Statutes, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) **Notice to Person with Undeliverable Address.** Whenever notice is required to be given, under any provision of law or the Articles of Incorporation or Bylaws of the Corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the Corporation and have been returned unde liverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the Corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the Corporation is such as to require the filing of a certificate under any provision of the Nevada Revised Statutes, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII AMENDMENTS

Section 44. Amendments. The Board of Directors shall have the power to adopt, amend or repeal the Bylaws.

TAX SHARING AGREEMENT

This Tax Sharing Agreement (this "Agreement") is entered into as of [____], 2010 between LRAD Corporation, a Delaware corporation ("LRAD"), and Parametric Sound Corporation, a Nevada corporation and wholly owned subsidiary of LRAD ("Parametric Sound," and together with LRAD, the "Parties"). Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to such terms in the Separation and Distribution Agreement, dated as of the date hereof, by and between LRAD and Parametric Sound (the "Separation Agreement").

RECITALS

Whereas, LRAD is the common parent corporation of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), that has filed consolidated federal income tax returns;

Whereas, Parametric Sound is a newly-formed, wholly owned subsidiary of LRAD;

Whereas, pursuant to the Separation Agreement, among other things, LRAD will transfer to Parametric Sound all of the Parametric Assets and Parametric Sound will issue to LRAD shares of Parametric Common Stock (the "Contribution");

Whereas, on the Distribution Date at the Effective Time, LRAD will distribute all of the issued and outstanding shares of Parametric Common Stock on a pro rata basis to holders of LRAD Common Stock (the "Distribution");

Whereas, the Parties intend that the Distribution shall qualify as a distribution described in Section 355 of the Code (the "Distribution Tax Treatment");

Whereas, the Parties intend that after the Distribution Parametric Sound will not be a member of LRAD's affiliated group of corporations for federal income tax purposes;

Whereas, the Parties intend that the Contribution, taking into account the Distribution, shall qualify as a series of transfers described in Section 351(a) of the Code or otherwise as a transaction eligible for tax-free treatment under the Code (the "Contribution Tax Treatment"); and

Whereas, the Parties desire to set forth their rights and obligations with respect to Taxes (as defined herein) due for periods before and after the Distribution Date;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

1.01 General. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" shall have the meaning set forth in the Separation Agreement.

"Agreement" shall have the meaning set forth in the preamble to this Agreement.

"Ancillary Agreements" shall mean the Ancillary Agreements as set forth in the Separation Agreement together with the Separation Agreement.

"Code" shall have the meaning set forth in the recitals.

"Contribution" shall have the meaning set forth in the recitals.

"Contribution Tax Treatment" shall have the meaning set forth in the recitals.

“Dispute” shall have the meaning set forth in Article VIII.

“Distribution” shall have the meaning set forth in the recitals.

“Distribution Date” shall mean the date hereof.

“Distribution Tax Treatment” shall have the meaning set forth in the recitals.

“Effective Time” shall mean 11:59 p.m. EDT on the Distribution Date at which time the Distribution is effective.

“Final Determination” shall mean a determination within the meaning of Section 1313 of the Code or any similar provision of state or local Tax law.

“Governmental Authority” shall have the meaning set forth in the Separation Agreement.

“Liabilities” shall have the meaning set forth in the Separation Agreement.

“LRAD” shall have the meaning set forth in the preamble to this Agreement.

“LRAD Filed Tax Return” shall have the meaning set forth in Section 2.01(a).

“LRAD Indemnitees” shall have the meaning set forth in Section 4.01(b).

“LRAD Taxes” shall have the meaning set forth in Section 2.03(b).

“Parametric Sound” shall have the meaning set forth in the preamble to this Agreement.

“Parametric Assets” shall have the meaning set forth in the Separation Agreement.

“Parametric Business” shall have the meaning set forth in the Separation Agreement.

“Parametric Common Stock” shall have the meaning set forth in the Separation Agreement.

“Parametric Filed Tax Return” shall have the meaning set forth in Section 2.01(b).

“Parametric Indemnitees” shall have the meaning set forth in Section 4.01(a).

“Parametric Taxes” shall have the meaning set forth in Section 2.03(a).

“Parties” shall have the meaning set forth in the preamble to this Agreement.

“Person” shall have the meaning set forth in the Separation Agreement.

“Post-Distribution Period” shall mean any taxable year or other taxable period beginning after the Distribution Date and, in the case of any taxable year or other taxable period that begins before and ends after the Distribution Date, that part of the taxable year or other taxable period that begins at the beginning of the day after the Distribution Date.

“Pre-Distribution Period” shall mean any taxable year or other taxable period that ends on or before the Distribution Date and, in the case of any taxable year or other taxable period that begins before and ends after the Distribution Date, that part of the taxable year or other taxable period through the close of the Distribution Date.

“Separation Agreement” shall have the meaning set forth in the preamble to this Agreement.

“Subsidiary” shall have the meaning set forth in the Separation Agreement.

“**Taxes**” shall mean (i) all taxes, charges, fees, duties, levies, imposts, rates or other assessments or governmental charges of any kind imposed by any federal, state, local or foreign Governmental Authority, including, without limitation, income, gross receipts, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, custom duties, property, sales, use, license, capital stock, transfer, franchise, registration, payroll, withholding, social security, unemployment, disability, value added, alternative or add-on minimum or other taxes, whether disputed or not, and including any interest, penalties, charges or additions attributable thereto, (ii) liability for the payment of any amount of the type described in clause (i) above arising as a result of being (or having been) a member of any group or being (or having been) included or required to be included in any Tax Return related thereto, and (iii) liability for the payment of any amount of the type described in clauses (i) or (ii) above as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other Person.

“**Tax Advisor**” shall have the meaning set forth in Article VIII.

“**Tax Contest**” shall have the meaning set forth in Section 5.01.

“**Tax Information Packages**” shall mean any information required in order to prepare and file any LRAD Filed Tax Return.

“**Tax Return**” shall mean any return, report, certificate, form or similar statement or document (including any related supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Governmental Authority or any bill for or notice related to ad valorem or other similar Taxes received from a Governmental Authority, in each case, in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

1.02 **References; Interpretations.** References in this Agreement to the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement (or the applicable Ancillary Agreement) as a whole (including all of the Schedules and Exhibits hereto and thereto) and not to any particular provision of this Agreement (or such Ancillary Agreement). Article, Section, Exhibit, Schedule and Appendix references are to the Articles, Sections, Exhibits, Schedules and Appendices to this Agreement (or the applicable Ancillary Agreement) unless otherwise specified. The word “including” and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified. The word “or” shall not be exclusive. Any definition of or reference to any statute shall be construed as referring also to any rules and regulations promulgated thereunder.

ARTICLE II.
TAX RETURNS AND TAX PAYMENTS

2.01 **Obligations to File Tax Returns.**

(a) LRAD shall have the sole and exclusive responsibility for the preparation and filing of each Tax Return that (x) includes either LRAD or Parametric Sound and which is for a Tax year ending on or before the Distribution Date or (y) includes LRAD and that is required to be filed after the Distribution Date (each, a “**LRAD Filed Tax Return**”); provided, however, that (1) all LRAD Filed Tax Returns shall be prepared on a basis that is consistent with both the Contribution Tax Treatment and the Distribution Tax Treatment, (2) Parametric Sound shall promptly prepare and deliver to LRAD in a manner consistent with past practices pro forma Tax Returns and Tax Information Packages for any taxable period in which Parametric Sound is included in, or any portion of the Parametric Business is reflected on, a LRAD Filed Tax Return, (3) LRAD shall provide to Parametric Sound sufficiently in advance of the due date for the filing thereof, and Parametric Sound shall have a reasonable opportunity to review and comment on, any such LRAD Filed Tax Return (or the relevant portion thereof) to the extent that Parametric Sound is responsible for any portion of the Taxes reported on such LRAD Filed Tax Return, and (4) in the case of any LRAD Filed Tax Return that includes Parametric Sound or the Parametric Business only for the portion of the relevant taxable period that ends on the Distribution Date, Taxes shall be allocated to the portion of such taxable period that ends on the Distribution Date based on an actual or hypothetical closing of the books at the close of the Distribution Date. Parametric Sound hereby irrevocably authorizes and designates LRAD as its agent, coordinator and administrator for the purpose of taking any and all actions necessary or incidental to the filing of any such LRAD Filed Tax Returns and, except as otherwise provided herein, for the purpose of making payments to, or collecting refunds from, any Governmental Authority in respect of a LRAD Filed Tax Return. Except as otherwise provided herein, LRAD shall have the exclusive right to file, prosecute, compromise or settle any claim for, or refund of, Taxes in respect of a LRAD Filed Tax Return for which LRAD bears responsibility hereunder and to determine whether any refunds of Taxes to which LRAD may be entitled shall be received by way of refund or credit against the Tax liability of LRAD.

(b) Parametric Sound shall have the sole and exclusive responsibility for the preparation and filing of each Tax Return that is required to be filed after the Distribution Date that includes Parametric Sound or otherwise relates to the Parametric Business that is not a LRAD Filed Tax Return (each, a "Parametric Filed Tax Return"); provided, however, that, except as otherwise required by law, (1) all Parametric Filed Tax Returns shall be prepared on a basis that is consistent with both the Contribution Tax Treatment and the Distribution Tax Treatment, (2) Parametric Sound shall provide to LRAD sufficiently in advance of the due date for the filing thereof, and LRAD shall have a reasonable opportunity to review and comment on, any such Parametric Filed Tax Return (or the relevant portion thereof) to the extent that LRAD is responsible for any portion of the Taxes reported on such Parametric Filed Tax Return, and (3) in the case of any Parametric Filed Tax Return that includes Parametric Sound or the Parametric Business only for the portion of the relevant taxable period that begins after the Distribution Date, Taxes shall be allocated to the portion of such taxable period that begins after the Distribution Date based on an actual or hypothetical closing of the books at the close of the Distribution Date.

2.02 Obligation to Remit Taxes. Subject to Section 2.01 and subject always to the ultimate division of responsibility for Taxes set out in Section 2.03, LRAD and Parametric Sound shall each remit or cause to be remitted to the applicable Governmental Authority in a timely manner any Taxes due in respect of any Tax Return that such Party is required to file (or, in the case of a Tax for which no Tax Return is required to be filed, which is otherwise payable by such Party to any Governmental Authority); provided, however, that in the case of any Tax Return, the Party not required to file such Tax Return shall remit to the Party required to file such Tax Return in immediately available funds the amount of any Taxes reflected on such Tax Return for which the former Party is responsible hereunder at least two (2) Business Days before payment of the relevant amount is due to a Governmental Authority.

2.03 Tax Sharing Obligations and Prior Agreements.

(a) Parametric Sound shall be responsible for the payment of (and shall be entitled to any refund of or credit for) all Taxes (i) that are attributable to Parametric Sound or the Parametric Business for any taxable period, in accordance with the principles set forth in Section 2.01(a)(4), provided, however, that (x) the determination of any such Taxes for any Pre-Distribution Period shall be made treating Parametric Sound or the Parametric Business, as applicable, as a stand-alone corporation, using methods and conventions consistent with past practices, (y) such Taxes shall not include any Taxes incurred by either Party in connection with either the Contribution or the Distribution, and (z) such Taxes shall be net of any Tax attributes attributable to Parametric Sound, the Parametric Business or LRAD that are available (taking into account any Tax liability incurred by LRAD in connection with either the Contribution or the Distribution) to reduce (whether or not they actually reduce) the Tax Liability of either Party for any Pre-Distribution Period or LRAD for any Post-Distribution Period, or (ii) resulting from any breach of or inaccuracy in any representation, covenant or obligation of Parametric Sound under this Agreement (collectively, "Parametric Taxes").

(b) LRAD shall be responsible for the payment of (and shall be entitled to any refund of or credit for) all Taxes (i) that are attributable to LRAD, other than Parametric Taxes, or (ii) resulting from any breach of or inaccuracy in any representation, covenant or obligation of LRAD under this Agreement (collectively, "LRAD Taxes").

(c) If, prior to the Distribution, a deposit (including a payment of estimated Taxes) was made with respect to any Tax for which Parametric Sound is responsible under this Agreement, such deposit shall be assigned to Parametric Sound and Parametric Sound shall be liable only for the amount of such Tax ultimately due in excess of the applicable deposit. To the extent the amount of such deposit exceeds the amount of Tax attributable to such deposit that is ultimately due, then such excess shall be paid to and retained by LRAD.

(d) Refunds received and the amount of credits claimed by one Party with respect to Taxes for which the other Party is responsible under this Agreement, shall be remitted to such other Party within five days after the first Party receives such refund or files the Tax Return claiming such refund or credit, as applicable. In the event that any such credit is subsequently reduced as a result of any adjustment required by any Governmental Authority, such other Party shall pay the amount of such reduction to the first Party within five days of receiving notice of such reduction from the first Party.

(e) At Parametric Sound's request, LRAD shall, at Parametric Sound's expense, use its reasonable best efforts to obtain any refund or credit of a Tax or item included in a LRAD Filed Tax Return to which Parametric Sound is entitled pursuant to this Agreement, including through filing appropriate forms with the applicable Governmental Authority; provided that LRAD shall not be required to comply with such request if LRAD reasonably determines that attempting to obtain such refund or credit will have a material adverse impact on LRAD.

(f) Except as set forth in this Agreement, any and all prior Tax sharing or allocation agreements or practices between LRAD and Parametric Sound shall be terminated with respect to Parametric Sound as of the Distribution Date, and Parametric Sound shall have no any continuing rights or obligations thereunder.

2.04 **Amended Returns.**

(a) Parametric Sound shall not file any amended Tax Return that includes LRAD.

(b) LRAD shall not file any amended Tax Return that that may increase any Parametric Sound Tax or otherwise give rise to indemnification pursuant to Section 4.01(b).

ARTICLE III.
COVENANTS

3.01 **Parametric Sound Covenants.** Notwithstanding anything else to the contrary contained in this Agreement or any other agreement, Parametric Sound hereby confirms and agrees that Parametric Sound will not take or permit to be taken any action at any time that could jeopardize the Contribution Tax Treatment, the Distribution Tax Treatment or both.

3.02 **LRAD Covenants.** Notwithstanding anything else to the contrary contained in this Agreement or any other agreement, LRAD hereby confirms and agrees that LRAD will not take or permit to be taken any action at any time that could jeopardize the Contribution Tax Treatment, the Distribution Tax Treatment or both. Notwithstanding the foregoing, LRAD may take or permit to be taken any action prohibited by the preceding sentence, subject to, and without limiting or modifying, LRAD's continuing indemnification obligation under Section 4.01(a), if (x) LRAD obtains the written consent of Parametric Sound (which consent shall not be unreasonably withheld) or (y) LRAD obtains a ruling from the Internal Revenue Service or an opinion of a nationally recognized law firm, in form and substance reasonably satisfactory to Parametric Sound, that the taking of such action will not materially adversely affect either the Contribution Tax Treatment or the Distribution Tax Treatment.

ARTICLE IV.
INDEMNITY OBLIGATIONS AND PAYMENTS

4.01 **Indemnity Obligations.**

(a) Notwithstanding whether any action is permitted or consented to hereunder and notwithstanding anything else to the contrary contained herein, LRAD shall indemnify and hold harmless Parametric Sound, and its directors, officers and employees (collectively, the "Parametric Indemnitees") from and against, and will reimburse the Parametric Indemnitees for (i) all LRAD Taxes and (ii) all Taxes, Liabilities and related losses arising out of, based upon or relating or attributable to any breach of or inaccuracy in any representation, covenant or obligation of LRAD under this Agreement.

(b) Parametric Sound shall indemnify and hold harmless LRAD, and its directors, officers and employees (collectively, the “**LRAD Indemnitees**”) from and against, and will reimburse the LRAD Indemnitees for (i) all Parametric Taxes and (ii) all Taxes, Liabilities and related losses arising out of, based upon or relating or attributable to any breach of or inaccuracy in any representation, covenant or obligation of Parametric Sound under this Agreement.

4.02 **Notice.** The Parties shall give each other prompt written notice of any payment that may be due to the provider of such notice under this Agreement.

4.03 **Treatment of Payments.** The Parties agree that any payment made between the Parties pursuant to this Agreement or any other Ancillary Agreement with respect to a Pre-Distribution Period or as a result of an event or action occurring in a Pre-Distribution Period shall be treated, to the extent permitted by law, for all Tax purposes as a nontaxable payment (i.e., a distribution or a capital contribution) made immediately prior to the Distribution.

ARTICLE V. TAX CONTESTS

5.01 **Notice.** LRAD shall promptly notify Parametric Sound in writing upon receipt by LRAD of a written communication from any Governmental Authority with respect to any pending or threatened audit, dispute, suit, action, proposed assessment or other proceeding (a “**Tax Contest**”) concerning any Taxes for which Parametric Sound may be liable under this Agreement. Parametric Sound shall promptly notify LRAD in writing upon receipt by Parametric Sound of a written communication from any Governmental Authority with respect to any Tax Contest concerning any Taxes for which LRAD may be liable under this Agreement.

5.02 **Control of Contests By LRAD.** LRAD shall have the sole responsibility and control over the handling of any Tax Contest, including the exclusive right to communicate with agents of the Governmental Authority and to control, resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Contest involving (i) any LRAD Filed Tax Return, or (ii) the Contribution or the Distribution or any transaction associated therewith as described in the Separation Agreement. Subject to LRAD’s control right, upon request by Parametric Sound, Parametric Sound shall, at Parametric Sound’s expense, be allowed to participate in the handling of any such Tax Contest with respect to any item that may affect the liability of Parametric Sound under this Agreement or that relates to the Contribution Tax Treatment or the Distribution Tax Treatment, and LRAD shall not settle any such Tax Contest without the consent of Parametric Sound, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything else to the contrary contained herein, in the case of any such Tax Contest relating to the Contribution Tax Treatment or the Distribution Tax Treatment, absent a settlement of such Tax Contest pursuant to the preceding sentence, LRAD shall be required to exhaust, at Parametric Sound’s expense, all administrative remedies available with respect to such Tax Contest.

5.03 **Control of Contests By Parametric Sound.** Parametric Sound shall have the full responsibility and control over the handling of any Tax Contest, including the exclusive right to communicate with agents of the Governmental Authority and to control, resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Tax Contest, involving any Parametric Filed Tax Return. Subject to Parametric Sound’s control right, upon request by LRAD, LRAD shall, at LRAD’s expense, be allowed to participate in the handling of any such Tax Contest with respect to any item that may affect the liability of LRAD or any subsidiary of LRAD under this Agreement.

ARTICLE VI. COOPERATION

6.01 **General.** Each Party shall fully cooperate with the other Party in connection with the preparation and filing of any Tax Return or the conduct of any Tax Contest (including, where appropriate or necessary, providing a power of attorney) concerning any issues or any other matter contemplated under this Agreement. Each Party shall make its employees and facilities available on a mutually convenient basis to facilitate such cooperation.

6.02 **Consistent Treatment.** Unless and until there has been a Final Determination to the contrary, each Party agrees not to take any position on any Tax Return, in connection with any Tax Contest or otherwise that is inconsistent with (a) the allocation of Taxes between LRAD and Parametric Sound as set forth in this Agreement or (b) the Contribution Tax Treatment and the Distribution Tax Treatment.

ARTICLE VII.
RETENTION OF RECORDS; ACCESS

7.01 **Retention of Records; Access.** For so long as the contents thereof may become material in the administration of any matter under applicable Tax law, but in any event until the later of (i) the expiration of any applicable statute of limitation and (ii) seven years after the Distribution Date, the Parties shall (a) retain records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns in respect of Taxes of either LRAD or Parametric Sound for any Pre-Distribution Period or any Post-Distribution Period or for any Tax Contests relating to such Tax Returns, and (b) give to the other Party reasonable access to such records, documents, accounting data and other information (including computer data) and to its personnel (ensuring their cooperation) and premises, for the purpose of the review or audit of such Tax Returns to the extent relevant to an obligation or liability of a Party under this Agreement or for purposes of the preparation or filing of any such Tax Return, the conduct of any Tax Contest or any other matter reasonably and in good faith related to the Tax affairs of the requesting Party. At any time after the Distribution Date that a Party proposes to destroy such material or information, it shall first notify the other Party in writing and the other Party shall be entitled to receive such materials or information proposed to be destroyed.

ARTICLE VIII.
DISPUTE RESOLUTION

8.01 **Dispute Resolution.** The Parties shall attempt in good faith to resolve any disagreement arising under this Agreement, including any dispute in connection with a claim by a third party (a "Dispute"). Either Party may give the other Party written notice of any Dispute not resolved in the normal course of business. If such a Dispute is not resolved within sixty (60) days following the date on which one Party gives such notice, the Parties shall jointly retain a nationally recognized law or accounting firm, reasonably acceptable to the Parties (the "Tax Advisor"), to act as an arbitrator in order to resolve the Dispute. The Tax Advisor's determination as to any Dispute shall be made in accordance with the terms of this Agreement and shall be final and binding on the Parties and not subject to collateral attack for any reason (other than manifest error). All fees and expenses of the Tax Advisor shall be shared equally by LRAD, on the one hand, and Parametric Sound, on the other hand.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

9.01 **Governing Law.** This Agreement, except as expressly provided herein, shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware, irrespective of the choice of laws principles of the State of Delaware as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

9.02 **Application to Present and Future Subsidiaries.** This Agreement is being entered into by LRAD and Parametric Sound. This Agreement shall constitute a direct obligation of each such entity. Articles III and VI of this Agreement shall be deemed to have been readopted and affirmed on behalf of any entity that becomes a Subsidiary of LRAD or Parametric Sound in the future.

9.03 **Further Assurances.** Subject to the provisions hereof, the Parties hereto shall make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as may be reasonably required in order to effectuate the purposes of this Agreement and to consummate the transactions contemplated hereby.

9.04 **Survival.** Notwithstanding any other provision of this Agreement to the contrary, all representations, covenants and obligations contained in this Agreement shall survive until the expiration of the applicable statute of limitations with respect to any such matter (including extensions thereof).

9.05 **Addresses and Notices.** All notices, consents, requests, instructions, approvals, statements, reports and other communications provided for herein shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to LRAD:

LRAD Corporation
15378 Avenue of Science, Suite 100
San Diego, CA 92128
Attn: Chief Executive Officer

If to Parametric Sound:

Parametric Sound
1941 Ramrod Avenue, Suite #100
Henderson, NV 89014
Attn: Chief Executive Officer

Either Party may, by notice to the other Party, change the address to which such notices are to be given. Notice delivered personally shall be deemed delivered when received by the recipient. Notice given by mail as set out above shall be deemed delivered five calendar days after the date the same is mailed.

9.06 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns.

9.07 **Waivers of Default.** The failure of either Party to require strict performance by the other Party of any provision in this Agreement, or to exercise any right or remedy under this Agreement will not waive or diminish such Party's right to demand strict performance or exercise thereafter of that or any other provision, right or remedy hereof.

9.08 **Invalidity of Provisions.** If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to affect the original intent of the Parties.

9.09 **Complete Agreement.** This Agreement contains the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, negotiations, discussions, writings, understandings, commitments and conversations pertaining thereto and there are no agreements or understandings between the Parties other than those set forth or referred to in this Agreement. In the event of any inconsistency between this Agreement and the Separation Agreement or any other agreements relating to the transactions contemplated by the Separation Agreement, the provisions of this Agreement shall control.

9.10 **Construction.** The language in all parts of this Agreement shall in all cases be construed according to its fair meaning and shall not be strictly construed for or against any Party.

9.11 **No Double Recovery.** No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages or other amounts for which the damaged Party has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or equity. Unless expressly required in this Agreement, a Party shall not be required to exhaust all remedies available under other agreements or at law or equity before recovering under the remedies provided in this Agreement.

9.12 **Setoff.** All payments to be made by any Party under this Agreement may be netted against payments due to such Party under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding, all of which are hereby expressly waived.

9.13 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be considered one and the same agreement, and shall become effective when each counterpart has been signed by each of the Parties and delivered to the other Party.

9.14 **No Third Party Rights.** This Agreement is only intended to allocate the responsibility for certain Taxes between LRAD and Parametric Sound and to address the other Tax matters stated herein. Nothing in this Agreement, express or implied, is intended or shall confer any right, benefit, claim or remedy of any nature whatsoever under or by reason of this Agreement upon any Person other than LRAD and Parametric Sound. LRAD and Parametric Sound acknowledge and agree that the respective rights of the LRAD Indemnitees and the Parametric Indemnitees expressly provided under this Agreement may only be enforced by LRAD and Parametric Sound, respectively.

9.15 **Separation Agreement.** To the extent not inconsistent with any specific term of this Agreement, the provisions of the Separation Agreement shall apply in relevant part to this Agreement, including Sections 7.1 (Termination), 8.10 (Headings), 8.13 (Specific Performance), 8.14 (Amendments) and 8.15 (Waiver of Jury Trial).

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Tax Sharing Agreement to be executed by their duly authorized representatives as of the day and year first above written.

LRAD CORPORATION

By: _____
Name: Thomas R. Brown
Title: President and Chief Executive Officer

PARAMETRIC SOUND CORPORATION

By: _____
Name: Elwood G. Norris
Title: President and Chief Executive Officer

SYZYGY LICENSING LLC – PARAMETRIC SOUND CORPORATION
LICENSE AND ROYALTY AGREEMENT

THIS LICENSE AND ROYALTY AGREEMENT (“Agreement”) is made on the day and year first written below by and between **Syzygy Licensing, LLC**, a Nevada limited liability company having an address of 8617 Canyon View Drive, Las Vegas, Nevada 89117 (“Licensor”) and **Parametric Sound Corporation**, a Nevada corporation having a business address of 1941 Ramrod Avenue, Suite 100, Henderson, Nevada 89014 (“Licensee”). Licensor and Licensee are sometimes collectively referred to herein as “the Parties.”

RECITALS

WHEREAS, Licensor has developed or owns certain technology relating to improved systems and methods of processing media input to create parametric sound output (the “Technology”), and is the owner of certain intellectual property in connection with this technology;

WHEREAS, Licensee desires to acquire, and Licensor desires to grant, on the terms and conditions set forth in this Agreement, an exclusive, world-wide right for Licensee to use, manufacture, have manufactured, sell, have sold, offer for sale, distribute, import and/or export products incorporating the Technology in and for any and all commercial purposes.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS

- 1.1 **Intellectual Property** shall include any pending patent applications or issued patents, inventions, developments, improvements, specifications, trade secrets, practices and procedures, and know-how owned by Syzygy that relate(s) to or cover(s) the Technology.
- 1.2 **Licensed Product(s)** shall include any product that is covered by the Intellectual Property.
- 1.3 **Licensed Patents** means the pending patent application identified in EXHIBIT A, and any patent or patent applications related thereto, including any foreign and non-provisional patents and patent applications relating thereto, and any continuations, continuations-in-part, divisions, reissues, re-examinations, and equivalent patents and patent applications relating to the non-provisional and foreign patent applications and patents.
- 1.4 **Improvements** means any improvement, enhancement, alteration, or modification of the Technology, whether invented or developed by Licensor or Licensee. Licensor shall own all rights in any improvements developed to the Technology by either party. However, any such Improvements shall be licensed to Licensee in accordance with the terms of this Agreement.
- 1.5 **Confidential Information** means all confidential information relating to and, where applicable, including the Technology, including, but not limited to, any and all information concerning products, trade secrets, inventions, discoveries, designs, improvements, research, development, specifications, technical data, market data, know-how, including information derived from reports, investigations, research, works-in-progress, and all other information which may be designated as confidential.
- 1.6 Net Sales
 - 1.6.1 **Calculation of Licensee’s Net Sales.** Net Sales shall be defined as Licensee’s gross receipts or revenue, computed on a cash basis, for each Licensed Product that is sold, distributed, leased, or otherwise transferred for monetary payment to any third party, less the following:

- 1.6.1.1 The actual cost of freight charges or of freight absorption, if any, separately stated in such invoice;
- 1.6.1.2 Any trade, quantity or standard trade cash discounts, if any, allowed;
- 1.6.1.3 Any tax, duties, imposts or other government charge on the sale, transportation, or delivery which is separately stated on the invoice (unless in the nature of a value added tax, which need not be separately stated);
- 1.6.1.4 Any credit and cash refunds for returned goods; and
- 1.6.1.5 Any allowances for damaged, obsolete, and defective goods.

1.7 **Valid Claim** means (a) a claim in an issued and unexpired patent included in the Licensed Patents that: (i) has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, and not subject to appeal, (ii) has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise, (iii) has not been lost through an interference, reexamination or reissue proceeding; or (b) a claim of a pending patent application included in the Licensed Patents.

2. GRANT OF LICENSE.

- 2.1 **Exclusive License.** Subject to all the terms and conditions of this Agreement, Licensor hereby grants to Licensee an exclusive, worldwide license to use, manufacture, have manufactured, sell, have sold, offer for sale, distribute, and import and export the Licensed Products and all Improvements thereto in and for all commercial purposes.
- 2.2 **Trademarks, Trade Dress, and Copyrights.** Any trademarks or trade dress used by Licensee in connection with the Licensed Products shall inure to the benefit of Licensor. Any copyrights created by Licensee in connection with the Licensed Products shall be owned solely by Licensor.

3. TERM AND TERMINATION

- 3.1 **Term.** The term of this Agreement shall commence upon the formal separation of Parametric Sound Corporation as an independent public entity distinct from and no longer owned by LRAD Corporation (hereinafter referred to as the "**Effective Date**") and shall continue in force until twenty years from the Effective Date or until the natural expiration of any patent containing a Valid Claim that covers the Technology, whichever period is longer.
- 3.2 **Licensor's Option to Terminate or Renegotiate for Failure to Act.** Licensor shall have the option to either renegotiate or terminate this Agreement at any time during the Term should Licensee fail to use commercially reasonable efforts to develop, manufacture, market and/or sell the Licensed Products only if such failure continues following reasonably detailed written notice thereof by Licensor to Licensee and a reasonable opportunity to cure. The parties agree that any previous license or assignment of any portion of the Technology from Licensor to Licensee shall revert back to Licensor in the event of termination of this Agreement.
- 3.3 **Default.** If either party commits any material default or breach with respect to any of the provisions of this Agreement, or fails to account for or pay to the other party any payment that becomes due hereunder, then the other party shall have the right to terminate this agreement on 60 days' written notice to the other party if the breaching party fails to cure such breach during the sixty (60) day period.

- 3.4 **Sale of Remaining Inventory upon Early Termination.** Upon termination of this Agreement for any reason, Licensee shall provide Licensor with a written inventory of all Licensed Products in the possession of Licensee, or its sublicensees, or that are in the process of being manufactured. Licensee, and its sublicensees, shall be allowed a period of **one (1) year** to sell off or otherwise dispose of its remaining inventory of Licensed Products, provided that all Royalties under Section 4 are paid for Licensed Products sold or otherwise disposed of to a third party.
- 3.5 **Continuing Obligations after Termination.** Upon termination of this Agreement, whether by default, cancellation, termination or normal expiration, Licensee shall not be relieved of any duties or obligations to pay all amounts accrued and due hereunder, and said amounts shall be payable at the effective date of the termination. In addition, Sections 1, 3.4, 3.5, 4, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19 of this Agreement, and any provisions that specifically provide for survival, shall survive any termination of this Agreement whether by default, cancelation, termination or normal expiration.

4. ROYALTY, PAYMENTS, AND REPORTS

- 4.1 In consideration for the rights conveyed by this Agreement, Licensee shall pay the following to Licensor:
- 4.1.1 **Royalty – 5.0%.** Licensee shall pay Licensor a royalty of **five percent (5.0%)** of the Net Sales of Licensed Products which are either: i) sold or otherwise transferred for monetary payment prior to four (4) years from the Effective Date of this Agreement; or ii) are covered by a Valid Claim of a Licensed Patent issued in a territory in which the Licensed Products are sold.
- 4.1.2 **Royalty – 3.0%.** In the event that no patent covering a Licensed Product has issued in a territory after four (4) years from the Effective Date of this Agreement, Licensee shall pay Licensor a royalty of **three percent (3.0%)** of the Net Sales of the Licensed Products in that territory. If a patent issues in a territory after four (4) years from the Effective Date of this Agreement, the royalty shall revert back to **five percent (5.0%)** of the Net Sales for Licensed Products sold in that territory.
- 4.1.3 **Reimbursement of Development Costs.** Licensee shall pay to Licensor its costs incurred through the Effective Date in developing, testing and prototyping the Technology. These costs include, but are not limited to, time charged by Mr. Elwood G. Norris at a rate of \$100 per hour, limited to an aggregate of 250 hours prior to the Effective Date. After the Effective Date, Licensee shall bear its own costs to develop, test, prototype, manufacture or otherwise use the Technology as authorized herein and, other than those actions that are reasonably necessary to convey any inventions, developments, improvements, specifications, trade secrets, practices and procedures, and know-how required by this Agreement, Licensor shall have no obligation to perform in any such activities or make any Improvements to the Technology. The parties acknowledge that Licensee intends to employ Elwood G. Norris on or after the Effective Date.
- 4.1.4 **Patent Costs.** Licensee shall reimburse Licensor's past costs, and shall be responsible for reimbursing all of Licensor's future costs, in filing for, prosecuting and maintaining any of the Licensed Patents in the United States. Licensee may request that Licensor file patent applications in additional territories, in which case Licensee shall reimburse Licensor for all costs associated therewith. Should Licensee not elect to request patent filings in additional territories, Licensor may do so at its own expense, and Licensee shall not be obligated to reimburse or otherwise pay for the costs associated therewith.

- 4.1.5 **Reasonableness of Royalty Rate.** The parties hereby agree that the Royalty payments set forth in this Section represent the value of the licenses granted hereunder for the right to use, manufacture, have manufactured, sell, have sold, offer for sale, distribute, and import and export the Licensed Products and all Improvements. The parties further agree that any Licensed Patents covering the Licensed Products have utility to Licensee both individually and in the aggregate, and that it would be impracticable to identify each specific Licensed Patent being used. The parties further agree that any Intellectual Property other than patents covering the Licensed Products has utility to Licensee, and that it would be impracticable to identify each specific type of Intellectual Property being used. As such, the parties have elected to (and agree that it is reasonable to) use the aggregate royalty rates provided for in this Section for Licensee's use of the Intellectual Property.
- 4.2 **Quarterly Payments.** The Royalties set forth in this Section shall accrue on the Net Sales made day-to-day, on a cash receipts basis, in each calendar quarter. On or before the thirtieth day following the end of a calendar quarter (i.e. April 30th, July 30th, October 30th, and January 30th), Licensee shall submit payment of all accrued royalties on the Net Sales made in that calendar quarter.
- 4.3 **Late Payments.** In the event that any payment due hereunder is not received by Licensor within 10 days of the due date for said payment, then Licensor shall be entitled to charge Licensee interest at the rate of five percent (5 %) per annum on said payments accrued from the date such payment was due.
- 4.4 **Quarterly Reports.** Licensee shall provide Licensor with a quarterly report on or before the thirtieth day following the end of a calendar quarter (i.e. April 30th, July 30th, October 30th, and January 30th) detailing the Net Sales made in that calendar quarter. This quarterly report shall include at least an accounting of the Net Sales made, with any deductions therefore, and of all payments due.
- 4.5 **Records.** Licensee shall keep records for a reasonable period of time of the Licensed Products manufactured, sold and distributed in sufficient detail to enable the Royalty Payment and any other payments due to Licensor to be determined. In the event that Licensor disagrees with any such accounting, Licensor or its designated representative shall have the right, upon reasonable notice to Licensee, at Licensor's expense and no more often than semi-annually to review and inspect the books and records of Licensee relating to the sale and distribution of the Licensed Products during normal business hours of Licensee at the location where such books and records are maintained, but for no more than the preceding two (2) years. In the event that any inspection by Licensor discloses any deficiencies in payments made to Licensor, then Licensee shall pay such additional amounts to Licensor within twenty (20) days following receipt of written notice thereof, together with all documentation necessary to support such additional payment by Licensee. In the event that any such inspection discloses an overpayment by Licensee, then Licensee shall be entitled to deduct and offset any such overpayment from the subsequent amounts that become due. In the event that there are no such subsequent payments to become due, then Licensor agrees to pay Licensee the full amount of any such overpayment within twenty (20) days following receipt of written notice thereof from Licensor.
- 4.6 **Payment in U.S. Dollars.** All payments due hereunder shall be made in U.S. Dollars.

4.7 **Taxes.** Licensee will pay any taxes incurred by it due to the use, manufacture, sale, distribution, or importation or exportation by Licensee of the Licensed Products.

5. FILING, PROSECUTION, MAINTENANCE AND ENFORCEMENT OF LICENSED PATENTS

5.1 **Patent Protection Applied for by Licensor at Its Discretion.** Licensor may apply for patent protection covering the Technology within the United States at its sole discretion. Should Licensor decide not to pursue patent protection in the United States on any portion of the Technology, Licensee may request that Licensor do so at Licensee's expense. Licensee may request that Licensor apply for patent protection covering the Technology outside of the United States at Licensee's expense. Should Licensee elect not to apply for patent protection outside the United States, then Licensor may apply for patent protection outside the United States at Licensor's expense.

5.2 **Licensor to Own All Licensed Patents and Control Prosecution and Maintenance.** All Licensed Patents shall be owned, prosecuted, controlled and maintained solely by Licensor.

5.3 **Licensor may Obtain Patent Protection on Licensee's Improvements.** Licensor shall be entitled to file patent protection on Licensee's Improvements at Licensor's sole discretion. Licensee agrees that its agents, principals and employees will provide all reasonable assistance in drafting and prosecuting any such patent, whether or not said agents, principals and employees are named as inventors. Licensee agrees that its agents, principals and employees will execute all documents necessary to transfer ownership of all patents covering the Technology to Licensor. The costs for any such filings shall be governed by the provisions of Section 4.1.4 of this Agreement.

5.4 **Notification of Infringements of the Licensed Patents.** Licensor and Licensee agree to notify each other in writing of any suspected infringement(s) of the Licensed Patents and provide any evidence therefore.

5.5 **Enforcement and Defense of Licensed Patents.** The parties shall confer in good faith regarding the enforcement or defense of any rights under the Licensed Patents, including whether to institute suit for infringement and the strategy for enforcing such rights. Notwithstanding this cooperation, Licensee shall bear the burden of enforcing the Licensed Patents in the United States and any other territories in which it has elected to obtain patent protection to prevent infringements thereof. Licensee shall be solely responsible for all attorneys' fees, costs, and other expenses incurred in the enforcement and defense of the Licensed Patents in the United States and any other territories in which it has elected to obtain patent protection.[]
0; Licensor shall also, at its option, have the right to address infringements, institute suit, and join in any legal action for the enforcement or defense of any rights under the Licensed Patents to the extent that it affects Licensor's rights or causes it damages within a territory.

5.6 **Marking of Licensed Products.** Licensee shall comply with the legal standards and requirements of the applicable country or territory for the marking of the Licensed Products and their packaging with a notice of the Licensed Patents.

5.7 **Ownership of Improvements.** Licensor shall own all Improvements made or developed by Licensor or by Licensee.

6. INDEMNIFICATION

6.1 Licensee agrees to release, indemnify and hold harmless Licensor, its officers, employees, and agents against any and all losses, expenses, claims, actions, lawsuits, judgments and damages (including attorney's fees through the appellate level) which may be brought against either party, its officers, employees, and agents as a result of or arising out of any claim of infringement with respect to the use, manufacture, sale, distribution, or importation or exportation by Licensee of the Licensed Products as they relate to the Licensed Patents. This section shall continue after the termination of this Agreement.

6.2 Licensee agrees to release, indemnify and hold harmless Licensor, its officers, employees, and agents against any and all losses, expenses, claims, actions, lawsuits, judgments and damages (including attorney's fees through the appellate level) which may be brought against either party, its officers, employees, and agents as a result of or arising out of any product liability claim with respect to the use, manufacture, sale, distribution, or importation or exportation by Licensee of the Licensed Products. This section shall continue after the termination of this Agreement.

7. **SUBLICENSING**

7.1 Licensee may not sublicense its rights under this Agreement unless it obtains Licensor's written permission to do so. Any Licensed Products sold under such a sublicense shall be subject to the provisions of Section 4 of this Agreement; however the royalty rates of any such sublicense may differ from those delineated in Section 4. The parties agree to negotiate royalty rates of any sublicense in good faith with the intent to provide for gross margins to Licensee and Licensor comparable to those delineated in and/or being the consequence of Section 4.

8. **ASSIGNMENT**

8.1 Licensee may not sell, assign, or transfer its rights under this Agreement unless Licensor provides written permission to do so. Any entity that is the beneficiary of a sale, assignment or transference of this Agreement shall be subject to the provisions of Section 4 of this Agreement.

9. **CONFIDENTIALITY**

9.1 Licensee and Licensor agree that at all times during the term of this Agreement, any extensions thereof, and after termination of the Agreement, they will hold in trust, keep confidential, and not disclose to any third party or make any use or induce or assist others in the use or disclosure of Confidential Information, except as provided for in this Agreement. Notwithstanding the foregoing, Licensee may disclose Licensor's Confidential Information to its employees, agents, contractors, and advisors who have a need to know such information; and Licensor may disclose Licensee's Confidential Information to its employees, agents, contractors, and advisors who have a need to know such information.

10. **REPRESENTATIONS AND WARRANTIES OF LICENSOR:**

10.1 Licensor makes no representations or warranties to Licensee relating to patentability of the Technology, or potential infringement of any third-party intellectual property that may occur by practicing the Technology.

11. **GOVERNING LAW**

11.1 This Agreement, and all matters relating hereto, including any matter or dispute arising out of the Agreement, shall be interpreted, governed, and enforced according to the laws of the United States of America and the State of Nevada, where applicable, and the parties hereto consent to the jurisdiction of any appropriate federal or state court in and for the State of Nevada to resolve such disputes.

12. ATTORNEYS' FEES

12.1 In the event that any party hereto shall be in default or breach of this Agreement, said party shall be liable to pay all reasonable attorneys' fees, court costs, and other related collection costs and expenses incurred by the non-defaulting or non-breaching party in prosecuting its rights hereunder.

13. BINDING EFFECT

13.1 This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, legatees, agents, representatives, officers, directors, successors and assigns.

14. NO JOINT VENTURE

14.1 The parties hereto expressly disclaim and disavow any partnership, joint venture or fiduciary status or relationship between them and expressly affirm that they have entered into this Agreement as independent contractors and that the same is in all respects an "arms-length" transaction. No party shall be responsible in any way for the debts or obligations of the other party, nor shall either party have the power to obligate or bind the other party in any manner whatsoever.

15. CAPTIONS

15.1 The captions and paragraph headings of this Agreement are solely for the convenience of reference and shall not affect its interpretation.

16. SEVERABILITY

16.1 The parties agree that if any part, term, or provision of this Agreement shall be found illegal or in conflict with any valid controlling law, the validity of the remaining provisions shall not be affected thereby. In the event of the legality of any provision of this Agreement is brought into question because of a decision by a court of competent jurisdiction, the parties agree that either the parties (by written amendment) or the court may narrow the provision in question or delete it entirely so as to comply with the decision of said court.

17. ENTIRE AGREEMENT

17.1 This Agreement expresses and contains the entire agreement between the parties with respect to the subject matter hereof and supersedes and replaces any prior agreements between the parties with respect thereto. Except as expressly provided in this Agreement, there are no agreements, understandings, inducements or arrangements between the parties relating to the subject matter of this Agreement. No subsequent alteration, amendment, change or addition to this agreement shall be binding upon either party unless reduced in writing and signed by them.

18. PREPARATION OF AGREEMENT

18.1 The parties acknowledge and agree that they have both participated in the preparation of this Agreement and, in the event that any question arises regarding its interpretation, no presumption shall be drawn in favor of or against any party hereto with respect to the drafting hereof.

19. NOTICES

19.1 Any and all notices required or provided for hereunder shall be in writing and shall be delivered, either in person or by certified mail, return receipt requested, postage prepaid to the parties at the addresses set forth in the preamble to this Agreement. Each party may change the address at which they receive notices by notifying the other parties in accordance with the provisions of this Section. All notices shall be deemed received upon actual receipt thereof if delivered in person, or within forty-eight (48) hours following the deposit hereof in the United States mail in accordance with the terms of this Section.

IN WITNESS WHEREOF, the parties have executed this Agreement and have made it effective as of the day and year first written below.

Licensor:

Licensee:

By: _____
(signature)
Name: _____
Title: _____
Date: _____

By: _____
(signature)
Name: _____
Title: _____
Date: _____

**2010 STOCK OPTION PLAN
OF
PARAMETRIC SOUND CORPORATION**

1. Purposes of the Plan

The purposes of the 2010 Stock Option Plan (the "Plan") of Parametric Sound Corporation, a Nevada corporation (the "Company"), are to:

- (a) Encourage selected employees, directors and consultants to improve operations and increase profits of the Company;
- (b) Encourage selected employees, directors and consultants to accept or continue employment or association with the Company or its Subsidiaries; and
- (c) Increase the interest of selected employees, directors and consultants in the Company's welfare through participation in the growth in value of the common stock of the Company (the "Shares").

Options granted under the Plan ("Options") may be "incentive stock options" ("ISOs") intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"), or "non-qualified stock options" ("NQSOs").

2. Eligible Persons

Every person who at the date of grant of an Option is an employee of the Company or of any Subsidiary (as defined below) of the Company is eligible to receive NQSOs or ISOs under the Plan. Every person who at the date of grant is a consultant to, or non-employee director of, the Company or any Subsidiary (as defined below) of the Company is eligible to receive NQSOs under the Plan. The term "Subsidiary" as used in the Plan means a subsidiary corporation as defined in the applicable provisions (currently Sections 424(f), respectively) of the Code. The term "employee" (within the meaning of Section 3401(c) of the Code) includes an officer or director who is an employee of the Company. The term "consultant" includes persons employed by , or otherwise affiliated with, a consultant to the Company.

3. Stock Subject to the Plan; Maximum Number of Grants

Subject to the provisions of Section 6(a)(i) of the Plan, the total number of Shares which may be issued under Options granted pursuant to the Plan shall not exceed three million (3,000,000) Shares. The Shares covered by the portion of any grant under the Plan which expires unexercised shall become available again for grants under the Plan.

4. Administration

(a) The Plan shall be administered by either the Board of Directors of the Company (the "Board") or by a committee (the "Committee") to which administration of the Plan, or of part of the Plan, may be delegated by the Board (in either case, the "Administrator"). The Board shall appoint and remove members of such Committee, if any, in its discretion in accordance with applicable laws. If necessary in order to comply with Rule 16b-3 under the Exchange Act and Section 162(m) of the Code, the Committee shall, in the Board's discretion, be comprised solely of "non-employee directors" within the meaning of said Rule 16b-3 and "outside directors" within the meaning of Section 162(m) of the Code. The foregoing notwithstanding, the Administrator may delegate nondiscretionary administrative duties to such employees of the Company as it deems proper, and the Board, in its absolute discretion, may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan.

(b) Subject to the other provisions of the Plan, the Administrator shall have the authority to, in its discretion: (i) grant Options; (ii) determine the fair market value of the Shares subject to Options; (iii) determine the exercise price of Options granted; (iv) determine the persons to whom, and the time or times at which, Options shall be granted, and the number of shares subject to each Option; (v) interpret the Plan; (vi) prescribe, amend and rescind rules and regulations relating to the Plan; (vii) determine the terms and provisions of each Option granted (which need not be identical), including but not limited to, the time or times at which Options shall be exercisable; (viii) with the consent of the optionee, to modify or amend any Option; (ix) defer (with the consent of the optionee) the exercise date of any Option; (x) authorize any person to execute on behalf of the Company any instrument evidencing the grant of an Option; and (xi) make all other determinations deemed necessary or advisable for the administration of the Plan. The Administrator may delegate nondiscretionary administrative duties to such employees of the Company as it deems proper.

(c) All questions of interpretation, implementation, and application of the Plan shall be determined by the Administrator. Such determinations shall be final and binding on all persons.

5. Granting of Options; Option Agreement

(a) No Options shall be granted under the Plan after 10 years from the date of adoption of the Plan by the Board.

(b) Each Option shall be evidenced by a written stock option agreement, in form satisfactory to the Administrator, executed by the Company and the person to whom such Option is granted.

(c) The stock option agreement shall specify whether each Option it evidences is an NQSO or an ISO.

6. Terms and Conditions of Options

Each Option granted under the Plan shall be subject to the terms and conditions set forth in Section 6(a). NQSOs shall also be subject to the terms and conditions set forth in Section 6(b), but not those set forth in Section 6(c). ISOs shall also be subject to the terms and conditions set forth in Section (c), but not those set forth in Section 6(b).

(a) Terms and Conditions to Which All Options Are Subject. All Options granted under the Plan shall be subject to the following terms and conditions:

(i) *Changes in Capital Structure.* Subject to Section 6(a)(ii), if the stock of the Company is changed by reason of a stock split, reverse stock split, stock dividend, or recapitalization, combination or reclassification, appropriate adjustments shall be made by the Board in (1) the number and class of shares of stock subject to the Plan and each Option outstanding under the Plan, and (2) the exercise price of each outstanding Option; provided, however, that the Company shall not be required to issue fractional shares as a result of any such adjustments. Each such adjustment shall be subject to approval by the Board in its sole discretion.

(ii) *Corporate Transactions.* In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each optionee at least 30 days prior to such proposed action. To the extent not previously exercised, all Options will terminate immediately prior to the consummation of such proposed action; provided, however, that the Administrator, in the exercise of its sole discretion, may permit exercise of any Options prior to their termination, even if such Options were not otherwise exercisable. In the event of a merger or consolidation of the Company with or into another corporation or entity in which the Company does not survive, or in the event of a sale of all or substantially all of the assets of the Company in which the stockholders of the Company receive securities of the acquiring entity or an affiliate thereof, all Options shall be assumed or equivalent options shall be substituted by the successor corporation (or other entity) or a parent or subsidiary of such successor corporation (or other entity); provided, however, that if such successor does not agree to assume the Options or to substitute equivalent options therefor, the Administrator, in the exercise of its sole discretion, may permit the exercise of any of the Options prior to consummation of such event, even if such Options were not otherwise exercisable.

(iii) *Time of Option Exercise.* Subject to Section 5 and Section 6(c)(iii), Options granted under the Plan shall be exercisable in accordance with a schedule as specified in the written stock option agreement relating to such Option. In any case, no Option shall be exercisable until a written stock option agreement in form satisfactory to the Company is executed by the Company and the optionee.

(iv) *Option Grant Date.* The date of grant of an Option under the Plan shall be the date as of which the Administrator approves the grant.

(v) *Nontransferability of Option Rights.* Except with the express written approval of the Administrator which approval the Administrator is authorized to give only with respect to NQSOs, no Option granted under the Plan shall be assignable or otherwise transferable by the optionee except by will, by the laws of descent and distribution or pursuant to a qualified domestic relations order. During the life of the optionee, an Option shall be exercisable only by the optionee.

(vi) *Payment.* Except as provided below, payment in full, in cash, shall be made for all stock purchased at the time written notice of exercise of an Option is given to the Company, and proceeds of any payment shall constitute general funds of the Company. The Administrator, in the exercise of its absolute discretion, may authorize any one or more of the following additional methods of payment:

(1) delivery by the optionee of Shares already owned by the optionee for all or part of the Option price, provided the fair market value (determined as set forth in Section 6(a)(x)) of such Shares being delivered is equal on the date of exercise to the Option price, or such portion thereof as the optionee is authorized to pay by delivery of such stock;

(2) the surrender of Shares then issuable upon exercise of the Option, provided the fair market value (determined as set forth in Section 6(a)(x)) of such Shares is equal on the date of exercise to the Option price, or such portion thereof as the optionee is authorized to pay by surrender of such stock;

(3) cancellation of indebtedness of the Company to the optionee or waiver of compensation due or accrued to optionee for services rendered; and

(4) if and so long as the Shares are registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Administrator to deliver promptly to the Company the aggregate amount of proceeds to pay the option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board.

(vii) *Termination of Employment.* If for any reason other than death or permanent and total disability, an optionee ceases to be employed by the Company or any of its Subsidiaries (such event being called a "Termination"), Options held at the date of Termination (to the extent then exercisable) may be exercised in whole or in part at any time within three months of the date of such Termination, or such other period of not less than 30 days after the date of such Termination as is specified in the Option Agreement or by amendment thereof (but in no event after the Expiration Date); provided, however, that if such exercise of the Option would result in liability for the optionee under Section 16(b) of the Exchange Act, then such three-month period automatically shall be extended until the tenth day following the last date upon which optionee has any liability under Section 16(b) (but in no event after the Expiration Date). If an optionee dies or becomes permanently and totally disabled (within the meaning of Section 22(e)(3) of the Code) while employed by the Company or a Subsidiary or within the period that the Option remains exercisable after Termination, Options then held (to the extent then exercisable) may be exercised, in whole or in part, by the optionee, by the optionee's personal representative or by the person to whom the Option is transferred by devise or the laws of descent and distribution, at any time within twelve months after the death or twelve months after the permanent and total disability of the optionee or any longer period specified in the Option Agreement or by amendment thereof (but in no event after the Expiration Date). For purposes of this Section 6(a)(vii), "employment" includes service as a director or as a consultant. For purposes of this Section 6(a)(vii), an optionee's employment shall not be deemed to terminate by reason of sick leave, military leave or other leave of absence approved by the Administrator, if the period of any such leave does not exceed 90 days or, if longer, if the optionee's right to reemployment by the Company or any Subsidiary is guaranteed either contractually or by statute.

(viii) *Withholding and Employment Taxes.* At the time of exercise of an Option and as a condition thereto, or at such other time as the amount of such obligations becomes determinable (the "Tax Date"), the optionee shall remit to the Company in cash all applicable federal and state withholding and employment taxes. Such obligation to remit may be satisfied, if authorized by the Administrator in its sole discretion, after considering any tax, accounting and financial consequences, by the optionee's (1) delivery of a promissory note in the required amount on such terms as the Administrator deems appropriate, (2) tendering to the Company previously owned Shares or other securities of the Company with a fair market value equal to the required amount, or (3) agreeing to have Shares (with a fair market value equal to the required amount) which are acquired upon exercise of the Option withheld by the Company.

(ix) *Other Provisions.* Each Option granted under the Plan may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator, and each ISO granted under the Plan shall include such provisions and conditions as are necessary to qualify the Option as an "incentive stock option" within the meaning of Section 422 of the Code.

(x) *Determination of Value.* For purposes of the Plan, the fair market value of Shares or other securities of the Company shall be determined as follows:

(1) Fair market value shall be the closing price of such stock on the date before the date the value is to be determined on the principal recognized securities exchange or recognized securities market on which such stock is reported, but if selling prices are not reported, its fair market value shall be the mean between the high bid and low asked prices for such stock on the date before the date the value is to be determined (or if there are no quoted prices for such date, then for the last preceding business day on which there were quoted prices).

(2) In the absence of an established market for the stock, the fair market value thereof shall be determined in good faith by the Administrator, with reference to the Company's net worth, prospective earning power, dividend-paying capacity and other relevant factors, including the goodwill of the Company, the economic outlook in the Company's industry, the Company's position in the industry, the Company's management and the values of stock of other corporations in the same or similar line of business.

(xi) *Option Term.* Subject to Section 6(c)(iii), no Option shall be exercisable more than 10 years after the date of grant, or such lesser period of time as is set forth in the stock option agreement (the end of the maximum exercise period stated in the stock option agreement is referred to in the Plan as the “Expiration Date”).

(b) Terms and Conditions to Which Only NQSOs Are Subject. Options granted under the Plan which are designated as NQSOs shall be subject to the following terms and conditions:

(i) *Exercise Price.*

(1) 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.

(2) To the extent required by applicable laws, rules and regulations, the exercise price of a NQSO granted to any person who owns, directly or by attribution under the Code (currently Section 424(d)), stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary (a “Ten Percent Stockholder”) shall in no event be less than 110% of the fair market value (determined in accordance with Section 6(a)(x)) of the stock covered by the Option at the time the Option is granted.

(c) Terms and Conditions to Which Only ISOs Are Subject. Options granted under the Plan which are designated as ISOs shall be subject to the following terms and conditions:

(i) *Exercise Price.*

(1) Except as set forth in Section 6(c)(i)(2), the exercise price of an ISO shall be determined in accordance with the applicable provisions of the Code and shall in no event be less than the fair market value (determined in accordance with Section 6(a)(x)) of the stock covered by the Option at the time the Option is granted.

(2) The exercise price of an ISO granted to any Ten Percent Stockholder shall in no event be less than 110% of the fair market value (determined in accordance with Section 6(a)(x)) of the stock covered by the Option at the time the Option is granted.

(ii) *Disqualifying Dispositions.* If stock acquired by exercise of an ISO granted pursuant to the Plan is disposed of in a “disqualifying disposition” within the meaning of Section 422 of the Code (a disposition within two years from the date of grant of the Option or within one year after the transfer such stock on exercise of the Option), the holder of the stock immediately before the disposition shall promptly notify the Company in writing of the date and terms of the disposition and shall provide such other information regarding the Option as the Company may reasonably require.

(iii) *Term.* Notwithstanding Section 6(a)(xi), no ISO granted to any Ten Percent Stockholder shall be exercisable more than five years after the date of grant.

7. Manner of Exercise

(a) An optionee wishing to exercise an Option shall give written notice to the Company at its principal executive office, to the attention of the officer of the Company designated by the Administrator, accompanied by payment of the exercise price and withholding taxes as provided in Sections 6(a)(vi) and 6(a)(viii). The date the Company receives written notice of an exercise hereunder accompanied by payment of the exercise price will be considered as the date such Option was exercised.

(b) Promptly after receipt of written notice of exercise of an Option and the payments called for by Section 7(a), the Company shall, without stock issue or transfer taxes to the optionee or other person entitled to exercise the Option, deliver to the optionee or such other person a certificate or certificates for the requisite number of shares of stock. An optionee or permitted transferee of the Option shall not have any privileges as a stockholder with respect to any shares of stock covered by the Option until the date of issuance (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent) of such shares.

8. Employment or Consulting Relationship

Nothing in the Plan or any Option granted hereunder shall interfere with or limit in any way the right of the Company or of any of its Subsidiaries to terminate any optionee's employment or consulting at any time, nor confer upon any optionee any right to continue in the employ of, or consult with, the Company or any of its Subsidiaries.

9. Conditions Upon Issuance of Shares

Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended (the "Securities Act").

10. Non-Exclusivity of the Plan

The adoption of the Plan shall not be construed as creating any limitations on the power of the Company to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options other than under the Plan.

11. Amendments to the Plan

The Board may at any time amend, alter, suspend or discontinue the Plan. Without the consent of an optionee, no amendment, alteration, suspension or discontinuance may adversely affect outstanding Options except to conform the Plan and ISOs granted under the Plan to the requirements of federal or other tax laws relating to incentive stock options. No amendment, alteration, suspension or discontinuance shall require stockholder approval unless (a) stockholder approval is required to preserve incentive stock option treatment for federal income tax purposes or (b) the Board otherwise concludes that stockholder approval is advisable.

12. Effective Date of Plan; Termination

The Plan shall become effective upon adoption by the Board; provided, however, that no Option shall be exercisable unless and until written consent of the stockholders of the Company, or approval of stockholders of the Company voting at a validly called stockholders' meeting, is obtained within twelve months after adoption by the Board. If such stockholder approval is not obtained within such time, Options granted hereunder shall be of the same force and effect as if such approval was obtained except that all ISOs granted hereunder shall be treated as NQSOs. Options may be granted and exercised under the Plan only after there has been compliance with all applicable federal and state securities laws. The Plan shall terminate within ten years from the date of its adoption by the Board.

PARAMETRIC SOUND CORPORATION
2010 STOCK OPTION PLAN

STOCK OPTION GRANT NOTICE
AND STOCK OPTION AGREEMENT

Parametric Sound Corporation, a Nevada corporation (the "Company"), pursuant to its 2010 Stock Option Plan (the "Plan"), hereby grants to the holder listed below ("Holder"), an option to purchase the number of shares of the Company's Common Stock set forth below (the "Option"). This Option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "Stock Option Agreement") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Holder

Grant No.

Date of Grant

Shares Subject to Option

Exercise Price Per Share \$_____ per share

Expiration Date

Type of Option
o Non-Qualified Stock Option
o Incentive Stock Option (within the meaning of Section 422 of the Code)

Vesting Schedule:

Vesting Date Number of Shares Vested

By his or her signature and the Company's signature below, Holder agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Holder has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Holder hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan or the Option.

Parametric Sound Corporation:

Holder:

By: _____
Name: _____
Title: _____
Address: _____

By: _____
Name: _____
Title: _____
Address: _____

**EXHIBIT A
TO STOCK OPTION GRANT NOTICE**

**PARAMETRIC SOUND CORPORATION
STOCK OPTION AGREEMENT**

Pursuant to the Stock Option Grant Notice ("Grant Notice") to which this Stock Option Agreement (this "Agreement") is attached, Parametric Sound Corporation, a Nevada corporation (the "Company"), has granted you an Option under the Company's 2010 Stock Option Plan (the "Plan") to purchase the number of shares of the Company's common stock ("Stock") indicated in the Grant Notice at the exercise price indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement shall have the meanings specified in the Plan and the Grant Notice.

1. **Vesting.** Except as otherwise provided in the Plan, this Option will become vested and exercisable in such amounts and at such times as provided in the Grant Notice.

2. **Exercise of the Option.**

2.1 **Method of Exercise.** You may exercise the vested portion of this Option at any time prior to the expiration of the Option by delivering a notice of exercise in such form as may be designated by the Company from time to time together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours and prior to the expiration of the Option, together with such additional documents as the Company may then require pursuant to the terms of the Plan.

2.2 **Method of Payment.** Payment of the exercise price may be by: (a) cash (or check); [(b) delivery of Stock already owned by you for all or part of the Option price, provided the fair market value (determined as set forth in the Plan) of such Stock being delivered is equal on the date of exercise to the Option price, or such portion thereof as you are authorized to pay by delivery of such Stock;] [(c) the surrender of Shares then issuable upon exercise of the Option, provided the fair market value (determined as set forth in the Plan) of such Shares is equal on the date of exercise to the Option price, or such portion thereof as you are authorized to pay by surrender of such Stock;] [(d) cancellation of indebtedness of the Company to you or waiver of compensation due or accrued to you for services rendered;] [(e) if and so long as the Shares are registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Administrator to deliver promptly to the Company the aggregate amount of proceeds to pay the option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board;] or (f) a combination of the above methods, as the Company may designate from time to time.

2.3 **Tax Withholding.** By exercising this Option you agree that as a condition to any exercise of this Option, the Company may withhold from your pay and any other amounts payable to you, or require you to enter an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of this Option; (2) the lapse of any substantial risk of forfeiture to which the Stock is subject at the time of exercise; or (3) the disposition of Stock acquired upon such exercise.

2.4 **Responsibility for Exercise.** You are responsible for taking any and all actions as may be required to exercise this Option in a timely manner and for properly executing any such documents as may be required for exercise in accordance with such rules and procedures as may be established from time to time. By signing this Agreement you acknowledge that information regarding the procedures and requirements for this exercise of the Option is available to you on request. The Company shall have no duty or obligation to notify you of the expiration date of this Option.

2.5 **Special Tax Consequences.** If you have been granted an Incentive Stock Option, you acknowledge that, to the extent that the aggregate fair market value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code), including the Option, are exercisable for the first time by you during any calendar year (under the Plan and all other incentive stock option plans of the Company and any Subsidiary) exceeds \$100,000, such options shall be treated as not qualifying under Section 422 of the Code but rather shall be taxed as non-qualified options. You further acknowledge that the rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they were granted. For purposes of these rules, the fair market value of stock shall be determined as of the time the option with respect to such stock is granted.

3. **Securities Law Compliance.** Notwithstanding anything to the contrary contained herein, this Option may not be exercised unless the Stock issuable upon exercise of this Option is then registered under the Securities Act or, if such Stock is not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. In addition, you acknowledge that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

4. **Termination of the Option.** The term of this Option commences on the Date of Grant (as specified in the Grant Notice) and expires and shall no longer be exercisable upon the earliest of: (a) the Expiration Date indicated in the Grant Notice; (b) the tenth (10th) anniversary of the Date of Grant; (c) if you owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Subsidiary, the fifth (5th) anniversary of the Date of Grant, (d) the last day for exercising the Option following termination of your service as described in the Plan; or (e) a change of control, to the extent provided in the Plan.

5. **Option Not a Service Contract.** This Option is not an employment or service contract and nothing in this Agreement, the Grant Notice or the Plan shall be deemed to create in any way whatsoever any obligation on your part to continue in the service of the Company, or of the Company to continue your service with the Company. In addition, nothing in your Option shall obligate the Company, its stockholders, board of directors, officers or employees to continue any relationship which you might have as a director or consultant for the Company.

6. **Representations.** By executing the Grant Notice to which this Agreement is attached, you hereby warrant and represent that you are acquiring this Option for your own account and that you have no intention of distributing, transferring or selling all or any part of this Option except in accordance with the terms of this Agreement. You also hereby warrant and represent that you have either (i) preexisting personal or business relationships with the Company or any of its officers, directors or controlling persons, or (ii) the capacity to protect your own interests in connection with the grant of this Option by virtue of the business or financial expertise of any of your professional advisors who are unaffiliated with and who are not compensated by the Company or any of its affiliates, directly or indirectly.

7. **Notices.** Any notices provided for in this Agreement, the Grant Notice or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

8. **Governing Law.** This Agreement shall be administered, interpreted and enforced under the laws of the State of Nevada without regard to conflicts of laws thereof. Should any provisions of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

9. **Amendment.** The Board may amend the Option at any time, provided no such amendment may adversely affect the Option or any unexercised portion of the Option without your consent unless such amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Agreement shall be effective unless in writing or in such electronic form as may be designated by the Company.

10. **Governing Plan Document.** Your Option is subject to this Agreement, the Grant Notice and all the provisions of the Plan, which are hereby made a part of this Agreement, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement, the Grant Notice and those of the Plan, the provisions of the Plan shall control.

11. **Rights as Stockholder.** You shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon exercise of any part of the Option unless and until such shares shall have been issued by the Company to you.

12. **Shares to Be Reserved.** The Company shall at all times during the term of the Option reserve and keep available such number of shares of Common stock as will be sufficient to satisfy the requirements of the Option.

[FORM OF]
INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made this ___ day of _____, 2010, between Parametric Sound Corporation, a Nevada corporation (the "Company"), and _____, an individual ("Indemnitee").

RECITALS

WHEREAS, Indemnitee is a member of the board of directors ("Board" or "Board of Directors") and/or an officer of the Company;

WHEREAS, the Corporation has adopted bylaws ("Bylaws") providing for the indemnification of the directors and executive officers of the Company ("Covered Persons");

WHEREAS, the Bylaws and Nevada Revised Statute Sections 78.751 and 78.7502 (the "State Statutes") specifically provide that they are not exclusive, and thereby contemplate that agreements may be entered into between the Company and a Covered Person with respect to indemnification of such Covered Person;

WHEREAS, Indemnitee is willing to serve, to continue to serve, and to take on additional service for and on behalf of the Company on the condition that Indemnitee is indemnified as set forth in this Agreement;

WHEREAS, it is intended that Indemnitee shall be paid promptly by the Company all amounts necessary to effectuate in full the indemnity provided in this Agreement; and

WHEREAS, to induce Indemnitee to continue to serve as a director and/or officer of the Company, the Company has determined and agreed to enter into this Agreement with Indemnitee.

NOW, THEREFORE, in consideration of Indemnitee's continued service as a director and/or officer of the Company after the date hereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

AGREEMENT

1. Indemnification of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the State Statutes, or any successor statute or amendment thereof, or any other statutory provisions authorizing or permitting such indemnification that is adopted after the date of this Agreement.

2. Additional Indemnity. Subject only to the exclusions set forth in Section 3 of this Agreement, the Company hereby further agrees to hold harmless, indemnify and defend Indemnitee:

(a) against any and all expenses (including fees for attorneys, accountants, private investigators, court and transcript costs, fees and expenses of witnesses, travel expenses and all other like disbursements or expenses reasonably incurred by or for Indemnitee), judgment damages, fines, penalties and amounts paid in settlement (including all interest assessments and other charges paid or payable in connection with or in respect of such judgment, fines, penalties or amounts paid in settlement) actually and reasonably incurred by or for Indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) (a "Covered Action") to which Indemnitee is made a party as a result of the fact that at the time of the act or omission which is the subject matter of such Covered Action Indemnitee was a director, officer or employee of the Company; and

(b) otherwise to the fullest extent as may be provided to Indemnitee by the Company under the non-exclusivity provisions of the Bylaws of the Company, the State Statutes or any employment agreement between the Company and Indemnitee. The provisions of this Agreement are in addition to, and not in limitation of, the provisions of such Bylaws, the State Statutes or any employment agreement between the Company and Indemnitee.

3. Limitations on Additional Indemnity. No indemnity pursuant to Sections 1 and 2 of this Agreement shall be paid by the Company to the extent that:

(a) payment therefor is actually made to Indemnitee under a valid and collectible insurance policy or policies, except with respect to any excess amount due to Indemnitee beyond the amount of payment to Indemnitee under such insurance policy or policies. Notwithstanding the availability of such insurance policy or policies, Indemnitee also may claim indemnification from the Company pursuant to this Agreement by assigning to the Company in writing any claims of Indemnitee under such insurance policy or policies to the extent of the amount Indemnitee is paid by the Company;

(b) Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement;

(c) final judgment is rendered against Indemnitee for the payment of dividends or other distributions to stockholders of the Company in violation of the provisions of Subsection 2 of Nevada Revised Statutes Section 78.300, as amended;

(d) final judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Act"), or other similar provisions of any federal, state or local statutory law;

(e) Indemnitee's conduct giving rise to the claim for indemnification is finally adjudged by a court of competent jurisdiction to have been a breach of fiduciary duty which involved intentional misconduct, fraud or a knowing violation of the law; and/or

(f) except as otherwise provided in this Agreement, in connection with all or any part of a suit or other proceeding which is initiated or maintained by or on behalf of Indemnitee, or any suit or other proceeding by Indemnitee against the Company or its directors, officers, employees or other agents, unless (i) such indemnification is expressly required by Nevada law; (ii) the suit or other proceeding was expressly authorized by an official act of the Board of Directors of the Company or (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under Nevada law.

4. Continuation of Indemnity. All agreements and obligations of the Company contained in this Agreement shall continue during the period Indemnitee is a Covered Person, and shall continue thereafter for so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Indemnitee was a Covered Person.

5. Advancement of Expenses. In the event Indemnitee incurs costs or expenses in connection with the defense of any such civil, criminal, administrative or investigative action, suit or proceeding (including any costs or expenses incurred for any appeal therefor), the Company agrees to pay such costs or expenses within 30 calendar days of submission of bills or vouchers for such costs or expenses, provided that Indemnitee delivers to Company prior to such payment a written undertaking by or on behalf of Indemnitee to repay the amount paid by the Company, including amounts paid in settlement, if it is ultimately determined by a court of competent jurisdiction that Indemnitee is not entitled to be indemnified by the Company for such expenses under the provisions of the State Statutes, the Bylaws, this Agreement or otherwise. However, in the case of an action brought against Indemnitee by the Company pursuant to the provisions of Section 16(b) of the Act, or other similar provisions of any federal, state or local statutory law for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company, Indemnitee's costs and expenses will not be advanced unless such advancement is approved by the Board of Directors by a majority vote of a quorum consisting of directors who are not parties to the action, suit or proceeding, or, if such a quorum cannot be obtained, by independent legal counsel in a written opinion that such indemnification is proper in the circumstances.

6. Presumptions and Effect on Certain Proceedings. Upon making a request for indemnification, Indemnitee shall be presumed to be entitled to indemnification under this Agreement. The termination of any action, suit or proceeding by judgment, order, settlement, arbitration award, conviction or by a plea of nolo contendere or its equivalent shall not affect this presumption except as may be provided in Section 3 of this Agreement.

7. **Notification and Defense of Claim.** Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, if a request with respect thereto is to be made against the Company under this Agreement, Indemnitee shall notify the Company of the commencement thereof; but the failure by Indemnitee to notify the Company will not relieve the Company of any liability which it may have to Indemnitee under this Agreement or otherwise. With respect to any such action, suit or proceeding as to which Indemnitee notifies the Company as required herein:

(a) The Company shall be entitled to participate therein at its own expense;

(b) Except as otherwise provided below, to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense of Indemnitee with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of Indemnitee in the action, suit or proceeding, the Company will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its own counsel in such action, suit or proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense shall be at the sole expense of Indemnitee unless (i) the employment of counsel by Indemnitee at the Company's expense has been authorized in writing by the Company; (ii) Indemnitee shall have reasonably concluded, upon advice of counsel experienced in such matters, that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action; or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, suit or proceeding. In each such instance set forth in (i) through (iii) of this paragraph (b), the reasonable cost of Indemnitee's counsel shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be entitled to assume the defense of any action, suit or proceeding brought against Indemnitee by or on behalf of the Company or as to which Indemnitee shall have reasonably made the conclusion provided in (ii) above; and

(c) The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without the Company's prior written consent. The Company shall not settle any action or claim in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's prior written consent. Neither the Company nor Indemnitee will unreasonably withhold consent to any proposed settlement.

8. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce Indemnitee to continue as a Covered Person, and acknowledges that Indemnitee is relying on this Agreement in continuing in such capacity.

(b) In the event Indemnitee is required to bring any action to enforce his or her rights or to collect moneys due under this Agreement, the Company shall advance Indemnitee all of Indemnitee's reasonable fees and expenses in bringing and pursuing such action. Indemnitee shall be responsible for reimbursement to the Company of such advance unless it is ultimately determined by a court of competent jurisdiction that Indemnitee is entitled to be indemnified by the Company for such fees and expenses under the provisions of the State Statutes, the Bylaws, this Agreement or otherwise.

9. **No Employment Rights.** Nothing in this Agreement is intended to confer on Indemnitee any right to continue in the employ of the Company for any period of time or to interfere with or otherwise restrict in any way the rights of the Company or of Indemnitee, which rights are hereby expressly reserved by each, to terminate Indemnitee's service at any time and for any reason, with or without cause, except as may be provided otherwise in an agreement, if any, between the Company and Indemnitee.

10. **Severability.** Each of the provisions of this Agreement are separate and distinct and independent of one another, so that if any provision of this Agreement shall be held by a court of competent jurisdiction to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not effect the validity or enforceability of the other provisions of this Agreement. If any provision of this Agreement is so held to be invalid or unenforceable, the parties agree that the court making such determination shall have the power to amend such provision or to delete specific words or phrases so that such provision shall then be enforceable to the fullest extent permitted by law unless such change is contrary to the intent of the parties hereto.

11. Subrogation. In the event of payment to Indemnitee under this Agreement, the Company shall be subrogated to the extent of the amount of such payment to all rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary or reasonable to secure such rights, including, without limitation, the execution of such documents necessary or reasonable to enable the Company to effectively bring suit to enforce such rights.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada without resort to conflict of laws principles.

13. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) when delivered by hand and received for by the party to whom said communication shall have been directed or (ii) if mailed by certified or registered mail with postage prepaid, on the third business day after the date on which said communication is so mailed and addressed to the appropriate party at the following address (as such address may be changed by a party by delivering notice of such change in the manner set forth in this Section 13):

If to Indemnitee: _____

If to the Company: Parametric Sound Corporation
1941 Ramrod Avenue
Suite #100
Henderson, NV 89014

14. Binding Effect; Amendment. This Agreement shall be binding on the parties, their heirs, personal representatives, successors and assigns, and shall inure to the benefit of Indemnitee, his or her heirs, personal representatives and assigns, and to the benefit of the Company, its successors and assigns. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in a writing signed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement as of the date first above written.

INDEMNITEE:

By: _____

COMPANY:
Parametric Sound Corporation,
a Nevada corporation

By: /s/ _____
Elwood G. Norris
Chief Executive Officer



Dear LRAD Corporation Stockholder:

As previously announced, the Board of Directors of LRAD Corporation has approved a plan to spin-off its newly formed subsidiary, Parametric Sound Corporation, as a new independent, stand-alone public company holding specified assets that comprise most of our HyperSonic Sound (HSS) technology business. The spin-off was approved by LRAD Corporation stockholders at a special meeting held on June 2, 2010.

The spin-off of Parametric Sound common stock is scheduled to occur effective at 5:00 p.m., California time, on _____, 2010. Holders of record of shares of LRAD Corporation common stock as of the close of business on _____, 2010 will receive one share of Parametric Sound common stock for every two shares of LRAD Corporation common stock held. Following the spin-off, LRAD Corporation stockholders will own (i) shares of Parametric Sound and (ii) shares of LRAD Corporation. LRAD Corporation will continue to operate its existing sound business, including LRAD and other technologies, but excluding the HSS technology sound business to be held by Parametric Sound. No action is required on your part to receive shares of Parametric Sound common stock.

You will not be required to pay anything or provide any consideration for the shares of Parametric Sound or to surrender any LRAD Corporation shares. The distribution of shares will be made in book-entry form, and physical stock certificates will be issued only upon request. No fractional shares will be issued. Any fractional shares of Parametric Sound that would otherwise be issued will be rounded up to the next whole share.

We anticipate that, following the spin-off, quotations for shares of Parametric Sound common stock will be available on the OTC Bulletin Board (OTCBB) quotation and trading system, and that a ticker symbol will be assigned for the Parametric Sound common stock shortly before quotations for the Parametric Sound common stock first become available. It may be difficult to trade Parametric Sound common stock due to the potential for low and sporadic trading activity on the OTCBB quotation and trading system. LRAD Corporation common stock will continue to be listed on the Nasdaq Capital Market under the symbol "LRAD."

I encourage you to read carefully the enclosed information statement, which is being provided to all LRAD Corporation stockholders. It describes the spin-off in detail and contains important business and financial information about Parametric Sound.

I want to thank you for your continued support of LRAD Corporation and we look forward to your support of Parametric Sound in the future.

Sincerely,

Thomas R. Brown
President and Chief Executive Officer
LRAD Corporation

_____, 2010



Dear Parametric Sound Stockholder:

We are very pleased to welcome you as a stockholder of our company, Parametric Sound Corporation. Our goal is to realize the potential of parametric directed sound, primarily targeting digital signage, point-of-purchase, in-store networks and related markets and applications. We also see the opportunity to apply directed sound to new markets.

Since retiring last year from an active role at LRAD Corporation, I have wanted to see the HSS technology achieve greater commercial success. In January 2010, I began evaluating the HSS product offering. The evaluation resulted in the invention of a new electronic processing method to improve the sound from HSS emitters. I also recognized that our directed sound system needs to be more cost competitive with other audio systems. Accordingly, we plan to introduce a new, more competitively priced, product line.

Promptly following the spin-off, Syzygy Licensing LLC, a company in which I am the majority owner, will license to Parametric Sound new patent pending technology I have invented. We plan to use this new technology to complement HSS emitters to produce at lower cost a directional sound solution capable of higher sound volume with improved clarity, wider frequency response and less distortion than the current HSS product offering.

We are excited about our prospects and believe we will be in a better position to realize growth opportunities as an independent, stand-alone company. Looking forward, we intend to rapidly develop and commercialize our new product line, and market it to existing and new customers. We believe the improved sound and reduced system cost will create new demand and open new markets for directional sound applications.

We anticipate that, following the spin-off, quotations for shares of Parametric Sound common stock will be available on the OTCBB quotation and trading system, and that a ticker symbol for our common stock will be assigned shortly before quotations for our common stock first become available. It may be difficult to trade Parametric Sound common stock due to the potential for low and sporadic trading activity on the OTCBB quotation and trading system.

You are invited to learn more about our company by reading the enclosed information statement. On behalf of our Board of Directors, I thank you in advance for your support as we focus on delivering long-term stockholder value as an independent, stand-alone company.

Sincerely,

Elwood G. Norris
Chief Executive Officer
Parametric Sound Corporation

_____, 2010

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the United States Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended.

SUBJECT TO COMPLETION, DATED June 23, 2010

PRELIMINARY INFORMATION STATEMENT

Parametric Sound Corporation

**Common Stock
(par value \$0.001 per share)**

This information statement is being furnished in connection with the distribution to holders of common stock, par value \$0.00001 per share, of LRAD Corporation ("LRAD Corporation") of all the outstanding shares of common stock, par value \$0.001 per share, of Parametric Sound Corporation ("Parametric Sound").

We are currently a subsidiary of LRAD Corporation. Following the spin-off, our business will consist of specified assets that currently comprise most of the HSS technology business of LRAD Corporation.

Shares of our common stock will be distributed to holders of LRAD Corporation common stock of record as of 5:00 p.m., California time, on _____, 2010, which will be the record date. These stockholders will receive one share of our common stock for every two shares of LRAD Corporation common stock held on the record date. The spin-off of our shares will be made in book-entry form, and physical stock certificates will be issued only upon request. The spin-off will be effective at 11:59 p.m., California time on _____, 2010. LRAD Corporation believes the spin-off will be tax-free for stockholders; however, we do not have any ruling from the U.S. Internal Revenue Service nor do we have a favorable opinion by our accounting firm confirming the spin-off's tax-free status. You should consult your own tax advisor as to the particular consequences of the spin-off to you.

We are not asking you for a proxy and you are requested not to send us a proxy. LRAD Corporation stockholders will not be required to pay or provide any consideration for the shares of our common stock to be received by them in the spin-off or to surrender or exchange shares of LRAD Corporation common stock in order to receive our common stock or to take any other action in connection with the spin-off.

No public market currently exists for Parametric Sound common stock. Following the spin-off, we currently anticipate that quotations for our common stock will be available on the OTCBB quotation and trading system, and that a ticker symbol for our common stock will be assigned for our common stock shortly before quotations for our common stock first become available. It is possible that a limited trading market, known as a "when-issued" trading market, may develop on or shortly before the record date for the spin-off and that regular trading, to the extent available on the OTCBB quotation and trading system, will begin on the first trading day after the effective date of the spin-off. LRAD Corporation will continue to list its common stock on the Nasdaq Capital Market under the symbol "LRAD" following the spin-off.

In reviewing this information statement, you should carefully consider the matters described under "Risk Factors" beginning on page 11 for a discussion of certain factors that should be considered by holders of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this information statement is _____, 2010.

This information statement was first mailed to LRAD Corporation stockholders on or about _____, 2010.

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EXECUTIVE SUMMARY

The following is a summary of some of the information contained elsewhere in this information statement. It is included for convenience only and should not be considered complete. This summary is qualified in its entirety by the more detailed information set forth elsewhere in this information statement, including our financial statements and notes thereto. We urge you to read carefully the entire information statement, especially the risks discussed under "Risk Factors" and our financial statements.

Unless the context otherwise requires, references in this information statement to "Parametric Sound," "we," "us" and "our" refer to Parametric Sound Corporation; references to "LRAD Corporation" refer to LRAD Corporation and its subsidiaries, excluding Parametric Sound after giving effect to the spin-off. The transaction in which we will be spun-off from LRAD Corporation and become an independent, stand-alone company is sometimes referred to in this information statement as the "separation," the "distribution" or the "spin-off."

Our Company

We are a sound technology company focused on delivering directed parametric sound solutions to customers, primarily targeting digital signage, point-of-purchase, in-store networks and related markets and applications that benefit from sound that can be focused and controlled in specified locations.

Parametric sound technology creates sound "in the air." Audible sound is generated along an ultrasonic column using frequencies above the normal range of hearing. This parametric sound beam is highly directional and maintains sonic intelligibility over longer distances than traditional loudspeakers. Our technology is compatible with any media input but beams focused sound where you want it and nowhere else. We own important intellectual property establishing us as the leader in the field of parametric non-linear acoustics for sound reproduction.

A directed sound solution includes (a) the ability to accept various user media sources as input, typically a computer, a DVD player, radio, television or microphone, and (b) custom processing and control electronics allowing an amplifier to drive speakers (called emitters in parametric sound applications). We intend to continue the pioneering work performed in this field by LRAD Corporation. Since 2004, LRAD Corporation has sold over 11,000 HSS systems, mostly the HSS H450 product model. We plan to replace the H450 model with an improved solution employing improved emitters complemented by new patent-pending processing and control electronics developed by our Chief Executive Officer, Elwood G. Norris, and that will be licensed by us following the distribution. Our prototypes evidence improved sound clarity, wider frequency response and reduced distortion with higher sound volume from less power input. We expect to produce new products at a reduced cost compared to the H450.

We believe improved sound quality produced at reduced cost differentiates us from competitors and opens new market opportunities for directed sound solutions. The existing emitter design has been proven repeatable, and we believe our new processing and control electronics package can be readily assembled by any number of electronic component manufacturers reducing the overall risk of introducing our new generation of products.

Our Strengths

We believe the following competitive strengths position us for future operating success, growth and profitability:

- *We pioneered parametric sound, and there is limited competition in this market niche.*
- *We have a strong intellectual property position in this market.*
- *We have an improved electronics solution that enhances our product offering in this market.*
- *Through earlier marketing efforts, we have gained an understanding of the needs of customers and have designed our new product with additional features to meet those needs.*
- *Our focus only on parametric sound affords us greater marketing flexibility to meet customer requirements.*
- *We have limited overhead that allows for efficient results for our stockholders.*
- *Our management team has a strong technical base in this technology and experience in bringing products to market.*

Our Strategy

Our goal is to realize the potential of parametric directed sound primarily targeting digital signage, point-of-purchase, in-store networks and related markets and applications. We aim to produce a product line to meet the requirements of these customers. The key elements of our strategy include:

- Produce a product line meeting customer requirements for easy and flexible installation using content from a range of media sources, complementing equipment such as video devices, kiosks and vending machines.
- Develop a turnkey manufacturing relationship to produce our products, thereby reducing a need for manufacturing space and production personnel.
- Develop relationships with customers requiring large numbers of products, including value added resellers (VARs), original equipment manufacturers (OEMs) and distributors that focus on specific end user solutions.

We also plan to explore uses for our technology in the emerging stereoscopic three-dimensional (3D) video market for computers, homes and theaters. The growth of 3D viewing creates opportunities for new 3D sound systems. We intend to explore the use of parametric speakers to reproduce binaural recordings. Binaural recordings use special microphones to capture directional sound information during recording and typically must be replayed through headphones. Parametric speakers reduce loudspeaker cross-talk that interferes with binaural reproduction from conventional stereo speakers. We believe our speakers complement or enhance digital signal processing (DSP) techniques such as ambiophones that are designed to emulate headphones for binaural sound reproduction from two speakers.

Our Industry

With the growth of directed advertising, such as digital signage, point-of-purchase and in-store TV networks, we believe sound clutter and noise pollution are increasing where conventional sound products and speakers are used. In-store display advertising tends to irritate customers if too intrusive or loud and annoy workers due to repetition. Our products will be designed to achieve focused, controlled sound that targets only those customers situated in specified locations such that nearby customers and store clerks do not hear the message. We believe the ability to focus sound is a driving feature of our sound solution.

Digital signage enables advertisers to deliver more focused and effective advertisements. Digital signage solutions generally consist of the replacement of static or passive signs or displays with video screen devices, such as cathode ray tube (CRT), plasma, liquid crystal display (LCD) or light-emitting diode (LED), containing still or motion video images. The image content, usually advertising or information can be changed via network control of each individual sign. Directed audio is used to contain or focus the audio within a defined space, generally to the person or persons in that defined space, to eliminate objections to the audio content from nearby workers and to lower the overall audio noise level in a confined space. Our product helps digital signage integrators integrate and install digital signage advertising solutions for in-store networks for national and international retailers.

We believe that clean, lightweight, energy-efficient and lower cost LED LCD screens are driving a new wave in digital signage. Sales of commercial flat panel screens are experiencing rapid growth. We believe the industry is maturing with more major companies now engaged in consolidating hardware, networking and content into end-user solutions that are economical and effective.

We do not believe parametric directed sound has yet met the needs of this market that requires higher sound volume, better clarity and a more economical product than offered in the past. We believe we have lost business in the past due to insufficient sound volume, insufficient clarity and unacceptable selling price. We believe our new product offering will be a competitive and attractive alternative to traditional sound systems used in our target markets.

Summary of the Spin-Off

The following is a summary of the terms of the spin-off. Please see “*The Spin-Off*” beginning on page 20 for a more detailed description of the matters described below.

<i>Distributing company</i>	LRAD Corporation, a Delaware corporation.
<i>Distributed company</i>	Parametric Sound Corporation, a Nevada corporation (“Parametric Sound”), owns most of the assets of the HSS technology business of LRAD Corporation and following the distribution will license technology developed by our Chief Executive Officer. Parametric Sound’s principal executive offices are located at 1941 Ramrod Avenue, Suite #100, Henderson, Nevada 89014.
<i>Distribution ratio</i>	Each holder of LRAD Corporation common stock will receive a dividend of one share of Parametric Sound common stock for every two shares of LRAD Corporation common stock held on the record date. Any fractional shares will be rounded up to the next whole share.
<i>Securities to be distributed</i>	Approximately 15,305,728 shares of Parametric Sound common stock, which will constitute all of the outstanding shares of Parametric Sound common stock immediately after the spin-off (based on the 30,611,456 shares of LRAD Corporation common stock that we expect to be outstanding on the record date). If holders of outstanding warrants of LRAD Corporation exercise their warrants on or before August 6, 2010, we will be required to issue up to 974,102 additional shares of Parametric Sound common stock, and we may not receive any proceeds from the warrant exercise. If holders of outstanding stock options of LRAD Corporation exercise their stock options on or before the record date, we will be required to issue up to 1,730,068 additional shares of Parametric Sound common stock (based on 3,460,135 options that are exercisable as of March 31, 2010), and we will not receive any proceeds from the option exercise.
<i>Record date</i>	The record date is 5:00 p.m., California time, _____, 2010. To receive shares of Parametric Sound common stock in the spin-off, holders of LRAD Corporation common stock must be stockholders as of 5:00 p.m., California time, on the record date.
<i>Distribution date</i>	The distribution date will be on or about _____, 2010.
<i>Relationship between Parametric Sound and LRAD Corporation after the spin-off</i>	Following the spin-off, each of LRAD Corporation and Parametric Sound will be an independent, publicly-traded company. We have entered into an agreement with LRAD Corporation primarily relating to the transfer of most of its HSS technology business assets to us, including the transfer of emitter manufacturing equipment, parts inventory, test equipment, fixtures, tooling, patents and trade secrets, see “ <i>The Spin-Off – Contributed Assets</i> ” beginning on page 22. LRAD Corporation may complete certain HSS business with current customers after the distribution date. We have agreed to reimburse Syzygy Licensing LLC (“Syzygy”), an entity in which our Chief Executive Officer, Elwood G. Norris is majority owner, an estimated \$155,000 for the legal, accounting, consulting, mailing, filing and other costs associated with the spin-off, including the special meeting of stockholders of LRAD Corporation approving the spin-off and the preparation and distribution of this information statement. After the distribution, other than some initial and limited manufacturing and technical support, we do not expect any material transition services between Parametric Sound and LRAD Corporation. We do not expect to share any employees or contract for any services from LRAD Corporation. For additional information regarding our relationship with LRAD Corporation after the spin-off, see “ <i>Our Relationship with LRAD Corporation After the Spin-Off</i> ” beginning on page 52.

*License of Improvements to
Parametric Technology*

We intend to enter into a license agreement with Syzygy promptly following the distribution. Mr. Norris has assigned to Syzygy certain patent pending technology and trade secrets related to a new and more cost-effective method of controlling and processing media input to create parametric sound output for parametric emitter devices such as those employed by us. He has also invented improvements to the current HSS emitter. Pursuant to the license agreement, we will reimburse patent, prototype and testing costs incurred to date (an amount estimated at \$90,000) and to pay future patent related costs. These prior costs include up to a maximum of \$25,000 for Mr. Norris' time in producing and testing prototypes and preparing for production. The license will provide for royalties of not more than 5% of net sales from products employing the technology. For additional information regarding the license arrangement, see "Business-License" beginning on page 41.

*Funding of Parametric Sound
after the spin-off*

Parametric Sound is the recipient of most of the business assets of LRAD Corporation's HSS technology business. These assets consist of emitter manufacturing equipment, parts inventory, test equipment, fixtures, tooling, patents and trade secrets. LRAD Corporation will be responsible for any warranty liability for any HSS product sales that it has made or makes completing certain HSS business with current customers.

We have limited prospects for near-term revenues in part due to our plans to introduce a new product line. We will receive no cash or liquidity at the distribution date.

We expect to fund a minimum of \$350,000 and a maximum of \$750,000 of subordinated note financing with accompanying stock purchase warrants at the distribution date. The proceeds of this financing are intended to fund the spin-off and related costs described above and provide initial working capital to start the process of bringing our new product line to production. We have nonbinding indications of interest for \$650,000 and Mr. Norris has committed that at least \$350,000 will be funded at the distribution date through conversion of amounts owed to Syzygy and additional cash on the same terms as other investors. See "Capitalization and Financing" beginning on page 27.

We expect that we will need to refinance this debt and/or arrange additional debt or equity or equity-based financing in the first 12 months after the distribution date. Management has not yet determined the amounts required in future financings, which will depend in part on the time required to bring the new product line to production and customer acceptance, if any, of the new product. There is no assurance we will be successful in arranging financing for our company or the terms of any such financing. Any future financing could be dilutive to existing Parametric Sound stockholders. See "Risk Factors" beginning on page ___ and "Description of Indebtedness" beginning on page 59.

Dividend policy

The declaration and amount of future dividends, if any, will be determined by our Board of Directors and will depend on our financial condition, earnings, capital requirements, financial covenants, regulatory constraints, industry practice and other factors our Board of Directors deems relevant.

Pursuant to the spin-off, we will be separated from LRAD Corporation and become a separate, publicly-traded company. The spin-off involves the following steps:

- Approval of the spin-off by the stockholders of LRAD Corporation at a special stockholders meeting held on June 2, 2010.
- Entry into a Separation and Distribution Agreement (the "Separation Agreement") to effect the separation. For more information on this agreement, see "Our Relationship with LRAD Corporation After the Spin-Off" beginning on page 52.
- Prior to or at the distribution date, the transfer of certain assets related to our business (LRAD Corporation's HSS technology business) from LRAD Corporation to us, see "The Spin-Off—Contributed Assets" beginning on page 22.
- Declaration of the effectiveness of our registration statement on Form 10, of which this information statement is a part, by the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended, and the mailing by LRAD Corporation of this information statement to its stockholders.
- A minimum of \$350,000 in debt financing proceeds will be contributed to Parametric Sound at the distribution date.
- Following the distribution, adoption by our Board of Directors of the Parametric Sound Corporation 2010 Stock Option Plan and related stock option agreement.
- Following the distribution, reimbursement by Parametric Sound to Syzygy of an estimated \$155,000 for the legal, accounting, consulting, mailing, filing and other costs associated with the spin-off and the preparation and distribution of this information statement.
- Following the distribution, upon execution of a licensing agreement with Syzygy, Parametric Sound will reimburse Syzygy an estimated \$90,000 for patent, testing and prototyping costs incurred through the distribution date.
- Following the separation, the application for listing and quotation of Parametric Sound common stock on the OTCBB.

For a further explanation of the spin-off, see "The Spin-Off" beginning on page 20.

Corporate Information and Structure

Parametric Sound is a Nevada corporation that was formed on June 2, 2010. Our Chief Executive Officer, Elwood G. Norris, and entities affiliated with him beneficially owned approximately 13% of LRAD Corporation's outstanding common stock as of May 31, 2010 and will beneficially own the same percentage of our common stock immediately following the spin-off. Our principal executive offices are located at 1941 Ramrod Avenue, Suite #100, Henderson, Nevada 89014 and our telephone number is (888) 477-2150. Our Internet address following the spin-off will be www.parametricsound.com. Information contained on, or that will be accessible through, our website does not and will not constitute a part of this information statement or the registration statement on Form 10 of which this information statement is a part.

This information statement contains product names, trademarks and trade names of our company, LRAD Corporation and other business entities and organizations.

QUESTIONS AND ANSWERS ABOUT THE SPIN-OFF

Q: Why am I receiving this document?

A: LRAD Corporation is delivering this document to you because you were a holder of LRAD Corporation common stock on the record date for the distribution of our shares of common stock. Accordingly, you are entitled to receive one share of our common stock for every two shares of LRAD Corporation common stock that you held on the record date. No action is required for you to participate in the distribution.

Q: What is the spin-off?

A: The spin-off is the overall transaction of separating our company from LRAD Corporation, which will be accomplished through a series of transactions resulting in us owning certain assets comprising most of the HSS technology business of LRAD Corporation. The final step of the transaction will be the pro rata distribution of our common stock to holders of LRAD Corporation's common stock. We refer to this last step as the "distribution." For additional information regarding these transactions, see "*The Spin-Off—Manner of Effecting the Spin-Off*" beginning on page 22.

Q: Who is Parametric Sound Corporation?

A: Up to the time of the distribution, we will be a wholly owned subsidiary of LRAD Corporation that will receive LRAD Corporation's HSS technology business as part of the spin-off transaction. Following the spin-off, we will be a separate, publicly-traded company. We are a sound technology company focused on delivering directed parametric sound solutions.

Q: Why is LRAD Corporation separating our businesses and distributing our stock?

A: LRAD Corporation's Board of Directors believes the separation will provide the benefits set forth below under the caption "*The Spin-Off—Reasons for the Spin-Off*" beginning on page 20, and that achieving those benefits could result in greater aggregate value to LRAD Corporation stockholders who retain both their LRAD Corporation and Parametric Sound shares than would be obtained under the current structure.

Q: Why is the separation of the two companies structured as a spin-off?

A: LRAD Corporation's Board of Directors believes that a spin-off of our shares is a cost-effective and tax-efficient way to separate the companies. We believe the spin-off will be tax-free for stockholders. However, we do not have any ruling from the U.S. Internal Revenue Service or a favorable opinion by our accounting firm confirming the spin-off's tax-free status. You should consult your own tax advisor as to the particular consequences of the spin-off to you.

Q: What is the record date for the distribution?

A: The record date is _____, 2010, and ownership will be determined as of 5:00 p.m., California time, on that date. When we refer to the "record date," we are referring to that time and date.

Q: What will be our relationship with LRAD Corporation after the spin-off?

A: Following the spin-off, each of LRAD Corporation and Parametric Sound will be an independent, publicly-traded company. We have entered into an agreement with LRAD Corporation primarily relating to the transfer of most of its HSS technology business assets to us, including the transfer of emitter manufacturing equipment, parts inventory, test equipment, fixtures, tooling, patents and trade secrets. After the distribution, other than some initial and limited manufacturing and technical support, we do not expect any material transition services between Parametric Sound and LRAD Corporation. We do not expect to share any employees or contract for any services from LRAD Corporation. For additional information regarding our relationship with LRAD Corporation after the spin-off, see "*Our Relationship with LRAD Corporation After the Spin-Off*" beginning on page 52.

Q: When will the spin-off be completed?

A: Shares of our common stock will be distributed on or about _____, 2010. We refer to this date as the "distribution date."

Q: Can LRAD Corporation decide to cancel the distribution of our common stock?

A: Yes. The distribution is conditioned upon satisfaction or waiver of certain conditions. LRAD Corporation has the right to terminate the distribution, even if all conditions have been met, if at any time LRAD Corporation's Board of Directors determines, in its sole discretion, that LRAD Corporation and its stockholders are better served by retaining Parametric Sound as a wholly owned subsidiary or that business conditions are such that it is not advisable to complete the spin-off. Business conditions that could cause LRAD Corporation's Board of Directors to terminate the spin-off include, among other things, deterioration in business value or a decline in the equity market valuation for similar type businesses. If the distribution is canceled, then the license agreement between Parametric Sound and Syzygy for the new HSS technology will not be executed. LRAD Corporation may be unwilling or unable to continue to develop its parametric sound HSS business or license the new technology from Syzygy, and Syzygy may be unwilling to license the new technology to LRAD Corporation.

Q: What will happen to the listing of LRAD Corporation's common stock?

A: Nothing. LRAD Corporation common stock will continue to be listed on the Nasdaq Capital Market under the symbol "LRAD."

Q: Will the spin-off affect the market price of my LRAD Corporation shares?

A: This is unknown. As a result of the spin-off, it is possible that the trading price of LRAD Corporation shares immediately following the distribution could be lower than immediately prior to the distribution because the trading price will no longer reflect the value of our business. However, given the historical losses incurred by the HSS product line while it was part of LRAD Corporation, this could result in an increase in the trading price following the spin-off. Until the market has fully analyzed the operations of LRAD Corporation without this business segment, the price of LRAD Corporation shares may fluctuate significantly. Furthermore, the combined trading prices of LRAD Corporation common stock and our common stock after the distribution may be higher or lower than the trading price of LRAD Corporation common stock prior to the distribution, see "*Risk Factors— We cannot predict the price range or volatility of our common stock after the spin-off, and sales of a substantial number of shares of our common stock may adversely affect the market price of our common stock*" on page 17.

Q: What will LRAD Corporation stockholders receive in the spin-off?

A: In the spin-off, LRAD Corporation stockholders will receive one share of our common stock for every two shares of LRAD Corporation common stock they own as of the record date. No fractional shares of our common stock will be issued in the spin-off. Any fractional shares will be rounded up to the next whole share. Immediately after the spin-off, LRAD Corporation stockholders will still own all of LRAD Corporation's current business segments, but they will own them as two separate investments rather than as a single investment. After the spin-off, the certificates and book-entry interests representing the "old" LRAD Corporation common stock will represent such stockholders' interests in LRAD Corporation's businesses (other than our business) following the spin-off. The certificates and book-entry interests representing our common stock that stockholders receive in the spin-off will represent their interest in our business only.

Q: How will fractional shares be treated?

Any fractional shares of our common stock that would otherwise be issuable in the spin-off will be rounded up to the next whole share. You may have to pay taxes on any shares that you receive as a result of the rounding up of fractional shares. For a discussion of the material U.S. federal income tax consequences of the spin-off, including the rounding up of fractional shares, please see "*The Spin-Off—Material U.S. Federal Income Tax Consequences*" beginning on page 24.

Q: What is book-entry?

A: The book-entry system allows registered stockholders to hold their shares without physical stock certificates. For additional information, see "*The Spin-Off—Manner of Effecting the Spin-Off*" beginning on page 22.

Q: What does an LRAD Corporation stockholder need to do now?

A: LRAD Corporation stockholders do not need to take any action. We urge you to read this information statement carefully. LRAD Corporation stockholders have no appraisal or dissenters' rights in connection with the spin-off. LRAD Corporation is not seeking a proxy from any stockholders, and you are requested not to send us a proxy. LRAD Corporation stockholders will not be required to pay anything or provide any consideration for our shares distributed in the spin-off or to surrender any shares of LRAD Corporation common stock. LRAD Corporation stockholders should not send in their LRAD Corporation share certificates. LRAD Corporation stockholders will automatically receive their shares of our common stock when the spin-off is effected.

Q: How will Parametric Sound fund its operations following the spin-off?

A: Parametric Sound has no assurance of continued revenues and has no plans to produce the HSS H450 product line after the distribution date. Accordingly, there is no assurance of future revenues. Future revenues depend on successfully introducing a new product line.

We expect to fund a minimum of \$350,000 and a maximum of \$750,000 of subordinated note financing with accompanying stock purchase warrants at the distribution date. We have nonbinding indications of interest for \$650,000, and Mr. Norris has committed that at least \$350,000 will be funded at the distribution date through conversion of amounts owed to Syzygy and additional cash on the same terms as other investors. The proceeds of this financing are intended to fund the spin-off and related costs described above and provide initial working capital to start the process of bringing our new product line to production. See “*Capitalization and Financing*” beginning on page 27.

We expect that we will need to refinance this debt and/or arrange additional debt or equity or equity-based financing in the first 12 months after the distribution date. Management has not yet determined the amounts required in future financings, which will depend in part on the time required to bring the new product line to production and customer acceptance, if any, of the new product. There is no assurance we will be successful in arranging financing for our company or the terms of any such financing. Any future financing could be dilutive to existing Parametric Sound stockholders. See “*Risk Factors*” beginning on page ___ and “*Description of Indebtedness*” beginning on page 59.

Q: What will happen to outstanding LRAD Corporation stock options?

A: Holders of LRAD Corporation stock options that continue to be employed by LRAD Corporation after the spin-off will continue to hold those options. LRAD Corporation’s Board of Directors and the Compensation Committee for LRAD Corporation’s stock plan, pursuant to their authority under the plan, have determined not to make any adjustment to outstanding stock options. They determined the spin-off should have minimal impact on the long-term value of the options and, accordingly, no adjustment is required to preserve the intrinsic value of the equity awards. LRAD Corporation stock options will not be converted into stock options or granted any right to receive shares of Parametric Sound. Accordingly, unless an LRAD Corporation stock option holder exercises his or her outstanding option prior to the record date of _____, 2010, such option holder will not participate in the distribution with respect to shares subject to the option.

Q: What will happen to outstanding LRAD Corporation warrants?

LRAD Corporation has stock purchase warrants outstanding for the purchase of up to 1,948,204 shares of common stock at \$2.67 per share through August 6, 2010. The terms of these warrants provide that if the warrants are exercised after the record date for the spin-off, warrant holders will be entitled to their pro-rata distribution as if the warrants had been exercised before the record date. Accordingly, if all the warrants are exercised then we will be required to issue an additional approximate 974,102 shares of our common stock. Our agreement with LRAD Corporation provides that if LRAD Corporation’s common stock is trading at or above the exercise price at the time of exercise, then LRAD Corporation will retain the exercise proceeds (a maximum of \$5,201,705 if all the warrants are exercised) and we will receive none of the proceeds.

After the record date, the holders of the warrants will be evaluating the exercise price (currently \$2.67 subject to adjustment) compared to the value of the securities issuable upon exercise consisting of one share of LRAD Corporation common stock and 1/2 share of Parametric Sound common stock for each warrant exercised. If the warrants are exercised when LRAD Corporation’s stock is less than the \$2.67 per share exercise price, then the difference between the exercise price and LRAD Corporation’s market price will be payable to us up to a maximum of \$0.25 per share. For example, if LRAD Corporation common stock is trading at \$2.50 per share and all the warrants are exercised, then LRAD Corporation will receive \$2.50 per exercised share (or \$4,870,510) and we will receive \$0.17 per exercised share of LRAD Corporation common stock (or \$331,195) for the 974,102 shares we will be required to issue. The closing price for LRAD Corporation common stock on June 7, 2010 was \$1.38.

If the warrants are exercised, the issuance of additional shares of Parametric Sound common stock will be dilutive to Parametric Sound stockholders and we may not receive any proceeds.

Q: Are there risks associated with owning our common stock?

A: Yes. Our business is subject to both general and specific risks relating to our operations. In addition, our spin-off from LRAD Corporation presents risks relating to our becoming an independent, public company as well as risks relating to the nature of the spin-off itself. See “*Risk Factors*” beginning on page 11.

Q: What are the U.S. federal income tax consequences of the spin-off to LRAD Corporation stockholders?

A: Management believes the spin-off will be tax-free for stockholders; however, we do not have any ruling from the U.S. Internal Revenue Service nor do we have a favorable opinion by our accounting firm confirming the spin-off's tax-free status. LRAD Corporation believes stockholders will apportion their tax basis in LRAD Corporation common stock between such LRAD Corporation common stock and our common stock received in the spin-off in proportion to the relative fair market values of such stock at the time of the spin-off. Further, an LRAD Corporation stockholder's holding period for our common stock received in the spin-off will include the period for which that stockholder's LRAD Corporation common stock was held. Any fractional shares of our common stock that would otherwise be issuable in the spin-off will be rounded up to the next whole share. You may have to pay taxes on any shares that you receive as a result of the rounding up of fractional shares. See "*The Spin-Off—Material U.S. Federal Income Tax Consequences of the Spin-Off*" beginning on page 24. You should consult your own tax advisor as to the particular consequences of the spin-off to you.

Q: What if I want to sell my LRAD Corporation common stock or my Parametric Sound common stock?

A: You should consult with your own financial advisors, such as your stockbroker, bank or tax advisor. We do not make any recommendations on the purchase, retention or sale of shares of LRAD Corporation common stock or our common stock to be distributed. If you do decide to sell any shares, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your LRAD Corporation common stock or your Parametric Sound common stock after it is distributed, or both.

Q: When will I be able to trade shares of Parametric Sound common stock?

A: There is not currently a public market for our common stock. We anticipate that trading in shares of our common stock will begin on a "when-issued" basis on or shortly before the record date and before the distribution date, and "regular way" trading will begin on the first trading day following the distribution date. If trading does begin on a "when-issued" basis, you may purchase or sell our common stock after that time, but your transaction will not settle until after the distribution date. On the first trading day following the distribution date, when-issued trading with respect to our common stock will end and regular way trading will begin. We cannot predict the trading prices for our common stock before or after the distribution date.

Q: Where will trading prices of shares of Parametric Sound common stock be listed?

A: We anticipate that, following the spin-off, quotations for shares of Parametric Sound common stock will be available on the OTCBB quotation and trading system, and that a ticker symbol will be assigned for the Parametric Sound common stock shortly before quotations for the Parametric Sound common stock first become available. It may be difficult to trade Parametric Sound common stock due to the potential for low and sporadic trading activity on the OTCBB quotation and trading system.

Q: Do you intend to pay dividends on your common stock?

A: Not at this time.

Q: Where can LRAD Corporation stockholders get more information?

A: Before the distribution, if you have any questions relating to the distribution, you should contact:

LRAD Corporation
Investor Relations
15378 Avenue of Science, Suite 100
San Diego, California 92128
(858) 676-1112

After the distribution, if you have any questions relating to our common stock, you should contact:

Parametric Sound Corporation
Investor Relations
1941 Ramrod Avenue, Suite #100
Henderson, Nevada 89014
(888) 477-2150

Q: Who will be the distribution agent for the spin-off?

A: Interwest Transfer Company, Inc. will be the distribution agent for the spin-off. The distribution agent can be contacted at:

Interwest Transfer Company, Inc.
1981 Murray Holladay Road, Suite 100
Salt Lake City, UT 84117
Phone: (801)272-9294

RISK FACTORS

In addition to the information contained elsewhere in this information statement, you should consider carefully the following risk factors related to Parametric Sound and the spin-off. If any of the risks described below actually occur, our business, financial condition, results of operations, cash flows and stock price could be materially adversely affected. This information statement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this information statement. See "Special Note About Forward-Looking Statements" on page 19.

Risk Factors Relating to Our Business

We have a history of operating losses, expect additional losses and may not achieve or sustain profitability.

We have a history of operating losses and expect additional losses as we introduce our new product line and until we achieve revenues and resulting margins to offset our operating costs. Our ability to achieve future profitability is dependent on a variety of factors, many outside our control. Failure to achieve profitability or sustain profitability, if achieved, may require us to continue to raise additional funding which could have a material negative impact on the market value of our common stock.

We expect we will need additional capital to refinance our debt for working capital and for future growth.

At the date of the spin-off, we expect to have debt of at least \$350,000. We have no operating history as an independent company. We expect we will need to refinance this debt with equity or equity-based securities. We also expect we will need additional capital to provide funds to finish the development and marketing of our new product line and working capital to produce product for sale to customers. Thereafter, we may need additional capital to support our growth. There is no assurance we can obtain the necessary capital for these or other purposes. General market conditions or the then-current market price of our common stock may not support capital raising transactions. Such conditions have significantly affected the ability of many companies to raise additional funding in the capital markets. U.S. credit markets have experienced significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive and resulting in the unavailability of some forms of debt financing. Uncertainty in the credit markets could negatively impact our ability to access additional debt financing or to refinance existing indebtedness in the future on favorable terms or at all. We may seek to raise additional funds by selling additional shares of our capital stock or securities convertible into or exercisable for common stock. If we are able to sell additional shares of our capital stock, the ownership interest of our stockholders will be diluted. The failure to raise capital when and as required could require us to curtail or cease operations and have a material adverse effect on our business, prospects, results of operations and financial condition and the market price of our common stock.

Disruption and fluctuations in financial and currency markets could have a negative effect on our business.

Financial markets in the United States, Europe and Asia have experienced extreme disruption in recent years, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. There can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies, which can then lead to challenges in the operation of our business. These economic developments affect businesses such as ours in a number of ways. Concern about the stability of the financial markets and the strength of counterparties has led many lenders and institutional investors to reduce or cease to provide credit to businesses and consumers, and illiquid credit markets have adversely affected the cost and availability of credit. The current tightening of credit in financial markets adversely affects the ability of commercial customers to finance purchases and operations and could result in an absence of any orders or spending for our planned products as well as create supplier disruptions. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions and the effects they will have on our business and financial condition.

We expect to purchase a number of key components and subassemblies from foreign suppliers. Consequently, we are subject to the impact economic conditions can have on such suppliers and subject to fluctuations in foreign currency exchange rates. Increases in our cost of purchasing these items could negatively impact our financial results if we are not able to pass these increased costs on to our customers.

We must develop a customer base in order to grow our business.

We do not expect many recurring customers from LRAD Corporation's prior HSS product business. To develop and grow our business, we must develop relationships with new customers and obtain and fulfill orders from new customers. We cannot guarantee that we will be able to develop a customer base. Further, even if we do obtain new customers, we cannot guarantee that those customers will purchase sufficient quantities of our product at prices that will enable us to recover our costs in acquiring those customers and fulfilling those orders. Our ability to sell our products depends on a number of factors, including:

- our ability to manufacture reliable products that have the features required by our customers;
- our ability to develop relationships with new customers that will lead to sales of our products;
- our ability to develop and expand new markets for directed sound products; and
- our ability to develop international product distribution directly or through strategic partners.

We plan to introduce new products based on new technology. If commercially successful products do not result or are not produced in a timely manner, we may be unprofitable or forced to cease operations.

Our proposed product line is in production planning and has not yet been introduced to market. We may not successfully and timely produce commercially viable sound systems due to the inherent risks of technology development, new product introduction, limitations on financing, manufacturing problems, competition, obsolescence, inability to attract key technical personnel and other factors. We have not produced any revenues from our new product line, and we cannot guarantee revenues in the future. The development and introduction of our product line may take longer than anticipated, and the introduction of our products, if any, could be subject to delays. Customers may not accept our products and may elect to purchase products from competitors. We may experience quality control problems with our products, and we may not be able to resolve any problems in a timely and cost-effective manner. Products employing our technology may not achieve market acceptance. Unanticipated technical obstacles may arise at any time and result in lengthy and costly delays or result in a determination that further exploitation of our technology is not feasible. If we do not successfully exploit our technology, our financial condition, results of operations and business prospects would be adversely affected.

Our products are still under design and have not yet been produced in any production quantity, and we may incur significant and unpredictable warranty costs as these products are produced.

Our planned product line has not yet been produced. Our technology is substantially different from proven, mass-produced sound transducer designs. We may incur substantial and unpredictable warranty costs from post-production product or component failures. We generally expect to warrant our products to be free from defects in materials and workmanship for a period of up to one year from the date of purchase. Future warranty costs could further adversely affect our financial position, results of operations and business prospects.

Our initial planned revenues will be derived from a single product category and two initial products.

If we are successful in producing initial commercial products, we will be dependent on one core product category and two initial products to generate revenues. We cannot assure you that these or other products will achieve consumer acceptance, nor can we provide assurance of the levels of sales they can achieve, if any. The loss of this product category would have a material adverse effect on our business, results of operations, financial condition and liquidity.

We cannot predict our future operating results. Our quarterly and annual results will likely be subject to fluctuations caused by many factors, any of which could result in our failure to achieve our expectations.

We expect our proprietary sound reproduction products and technologies will be the source of substantially all of our future revenues. Revenues, if any, from our proprietary sound reproduction products and technologies are expected to vary significantly due to a number of factors. Many of these factors are beyond our control. Any one or more of these factors, including those listed below, could cause us to fail to achieve our revenue expectations. These factors include:

- our ability to develop and supply sound reproduction components to customers, distributors, VARs or OEMs or in the future to license our technologies;
- market acceptance of, and changes in demand for, our products or our customers' products;
- gains or losses of significant customers, distributors or strategic relationships;
- unpredictable volume and timing of customer orders;
- the availability, pricing and timeliness of delivery of components for our products;
- fluctuations in the availability of manufacturing capacity or manufacturing yields and related manufacturing costs;
- timing of new technological advances, product announcements or introductions by us, by OEMs or licensees and by our competitors;
- product obsolescence and the management of product transitions and inventory;
- unpredictable warranty costs associated with our products;
- installation or order delays by customers, distributors, OEMs or production delays by us or our suppliers;
- seasonal fluctuations in sales;
- general consumer electronics industry conditions, including changes in demand and associated effects on inventory and inventory practices;
- general economic conditions that could affect the timing of customer orders and capital spending and result in order cancellations or rescheduling; and
- general political conditions in this country and in various other parts of the world that could affect spending for the products that we intend to offer.

Some or all of these factors could adversely affect demand for our products or technologies and, therefore, adversely affect our future operating results.

Our expenses may vary from period to period, which could affect quarterly results and our stock price.

If we incur additional expenses in a quarter in which we do not experience increased revenue, our results of operations will be adversely affected and we may incur larger losses than anticipated for that quarter. Factors that could cause our expenses to fluctuate from period to period include:

- the timing and extent of our research and development efforts;
- investments and costs of maintaining or protecting our intellectual property;
- the extent of marketing and sales efforts to promote our products and technologies; and
- the timing of personnel and consultant hiring.

Many potential competitors who have greater resources and experience than we do may develop products and technologies that make ours obsolete.

Technological competition from other and more established electronic and sound system manufacturers is significant and expected to increase. Most of the companies with which we expect to compete have substantially greater capital resources, research and development staffs, marketing and distribution programs and larger facilities than us, and many of them have substantially greater experience in the production and marketing of products. In addition, one or more of our competitors may have developed or may succeed in developing technologies and products that are more effective than any of ours, rendering our technology and products obsolete or noncompetitive.

Sound reproduction markets are subject to rapid technological change. Our success will depend on our ability to continually develop and introduce new technologies.

Technology and standards in the sound reproduction market evolve rapidly, making timely and cost-effective product innovation essential to success in the marketplace. The introduction of products with improved technologies or features may render our technologies obsolete and unmarketable. If we cannot develop products in a timely manner in response to industry changes, or if our technologies do not perform well, our business and financial condition will be adversely affected. The life cycles of our technologies are difficult to estimate. As a result, our technology, even if successful, may become obsolete before we recoup our investment.

Our competitive position will be seriously damaged if we cannot maintain and obtain patent protection for important differentiating aspects of our products or otherwise protect intellectual property rights in our technology.

We rely on a combination of contracts and trademark, patent and trade secret laws to establish and protect our proprietary rights in our technology. However, we may not be able to prevent misappropriation of our intellectual property, our competitors may be able to independently develop similar technology and the agreements we enter into to protect our proprietary rights may not be enforceable.

Our success, in part, depends on our ability to obtain and enforce intellectual property protection of our technology, particularly our patents. There is no guarantee any patent will issue on any patent application that we have filed or may file. Claims allowed from existing or pending patents may not be of sufficient scope or strength to protect the economic value of our technologies. Further, any patent that we may obtain will expire, and it is possible that it may be challenged, invalidated or circumvented. If we do not secure and maintain patent protection for our technology and products, our competitive position could be significantly harmed. A competitor may independently develop or patent technologies that are substantially equivalent or superior to our technology.

As we expand our product line or develop new uses for our products, these products or uses may be outside the protection provided by our current patent applications and other intellectual property rights. In addition, if we develop new products or enhancements to existing products we cannot assure you that we will be able to obtain patents to protect them. Even if we do receive patents for our existing or new products, these patents may not provide meaningful protection, or may be too costly to enforce protection. In some countries outside of the United States where our products may be sold or licensed, patent protection is not available. Moreover, some countries that do allow registration of patents do not provide meaningful redress for violations of patents. As a result, protecting intellectual property in these countries is difficult and our competitors may successfully sell products in these countries that have functions and features that infringe on our intellectual property.

We may initiate claims or litigation against third parties in the future for infringement of our proprietary rights or to determine the scope and validity of our proprietary rights or the proprietary rights of our competitors. These claims could result in costly litigation and divert the efforts of our technical and management personnel. As a result, our operating results could suffer and our financial condition could be harmed.

Our competitive position will be seriously damaged if our products are found to infringe on the intellectual property rights of others.

Other companies and our competitors may currently own or obtain patents or other proprietary rights that might prevent, limit or interfere with our ability to make, use or sell our products. As a result, we may be found to infringe the intellectual property rights of others. The electronics industry is characterized by vigorous protection and pursuit of intellectual property rights or positions, resulting in significant and often protracted and expensive litigation. In the event of a successful claim of infringement against us and our failure or inability to license the infringed technology, our business and operating results could be adversely affected. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of our resources. An adverse result from intellectual property litigation could force us to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms, if at all; and
- redesign products or services that incorporate the disputed technology.

If we are forced to take any of the foregoing actions, we could face substantial costs and shipment delays and our business could be seriously harmed. Although we carry general liability insurance, our insurance may not cover potential claims of this type or be adequate to indemnify us for all liability that may be imposed.

In addition, it is possible that our customers or end users may seek indemnity from us in the event that our products are found or alleged to infringe the intellectual property rights of others. Any such claim for indemnity could result in substantial expenses to us that could harm our operating results.

Our technology is subject to government regulation, which could lead to unanticipated expense or litigation.

Our sound technology emits ultrasonic vibrations and is regulated by the Food and Drug Administration. In the event of certain unanticipated defects in our products, a customer or we may be required to comply with FDA requirements to remedy the defect and/or notify consumers of the problem. This could lead to unanticipated expense, and possible product liability litigation against a customer or us. Any regulatory impediment to full commercialization of our parametric sound technology, or any of our other technologies, could adversely affect our results of operations.

We may face personal injury and other liability claims that harm our reputation and adversely affect our sales and financial condition.

Since our planned products include ultrasonic emissions along with the acoustic output, customers or others could claim damage to human hearing or human health irrespective if the product is used properly or improperly, such as when the product is used at extreme close ranges for long periods of exposure. A person claiming injury in connection with the use of our products may bring legal action against us to recover damages on the basis of theories including personal injury, negligent design, dangerous product or inadequate warning. We may also be subject to lawsuits involving allegations of misuse of our products. While we plan to obtain product liability insurance, it may be too costly for us or may be unavailable. If we are able to obtain product liability insurance coverage, it may be insufficient to pay all such claims. We may not have sufficient resources to satisfy any product liability claims not covered by insurance which would materially and adversely affect our financial position. Significant litigation could also result in a diversion of management's attention and resources and negative publicity.

We expect to rely on outside manufacturers and suppliers to provide a large number of components and sub-assemblies incorporated in our products and may rely on third-party turnkey production in the future.

Our products have a number of components and subassemblies we expect to be produced by outside suppliers. In addition, for certain of these items, we qualify only a single source, which can magnify the risk of shortages and decrease our ability to negotiate with our suppliers on the basis of price. In particular, we depend on one piezo-film supplier to provide expertise and materials used in our proprietary emitters. If shortages occur, or if we experience quality problems with suppliers, then our production schedules could be significantly delayed or costs significantly increased, which would have a material adverse effect on our business, liquidity, results of operation and financial position.

We plan to have sub-assemblies produced by third-party manufacturers and may contract for complete production on a turnkey basis. We have no manufacturer relationship contracted at this time. We may not be able to obtain acceptable manufacturing sources on a timely basis. In addition, from time to time we may change manufacturers. Any new manufacturer engaged by us may not perform as expected. An extended interruption in the supply of our products could result in a substantial loss of sales. In addition, any actual or perceived degradation of product quality as a result of our reliance on third-party manufacturers may have an adverse effect on sales or result in increased warranty costs, product returns and buybacks. Failure to maintain quality manufacturing could reduce future revenues, adversely affecting financial condition and results of operations.

Current environmental laws, or laws enacted in the future, may harm our business.

Our operations are subject to environmental regulation in areas in which we conduct business. Our product design and procurement operations must comply with new and future requirements relating to the materials composition of our products, including restrictions on lead, cadmium and other substances. We do not expect that the impact of these environmental laws and other similar legislation adopted in the U.S. and other countries will have a substantial unfavorable impact on our business. However, the costs and timing of costs under environmental laws are difficult to predict.

Errors or defects contained in our products, failure to comply with applicable safety standards or a product recall could result in delayed shipments or rejection of our products or damage to our reputation and expose us to regulatory or other legal action.

Any defects or errors in the operation of our products may result in delays in their introduction. In addition, errors or defects may be uncovered after commercial shipments have begun, which could result in the rejection of our products by our customers, damage to our reputation, lost sales, diverted development resources, increased customer service and support costs and warranty claims, any of which could harm our business. Third parties could sustain injuries from our products, and we may be subject to claims or lawsuits resulting from such injuries. There is a risk that these claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. We may also be unable to obtain adequate liability insurance in the future. Because we are a small company, a product recall would be particularly harmful to us. We have limited financial and administrative resources to effectively manage a product recall, and it would detract management's attention from implementing our core business strategies. A significant product defect or product recall could materially and adversely affect our brand image, causing a decline in our sales, and could reduce or deplete our financial resources.

Inadequate internal controls and accounting practices could lead to errors, which could negatively impact our business, financial condition, results of operations and cash flows.

We will need to establish internal controls and management oversight systems. Our small size and limited personnel and consulting resources will make doing so more challenging than for more established entities. We may not be able to prevent or detect misstatements in our reported financial statements due to system errors, the potential for human error, unauthorized actions of employees or contractors, inadequacy of controls, temporary lapses in controls due to shortfalls in transition planning and oversight resource contracts and other factors. In addition, due to their inherent limitations, such controls may not prevent or detect misstatements in our reported financial results as required under SEC rules, which could increase our operating costs or impair our ability to operate our business. Controls may also become inadequate due to changes in circumstances. It will be necessary to replace, upgrade or modify our internal information systems from time to time. If we are unable to implement these changes in a timely and cost-effective manner, our ability to capture and process financial transactions and support our customers as required may be materially adversely impacted, which could harm our business, financial condition, results of operations and cash flows.

Loss of our key management and other personnel could impact our business.

Our business is substantially dependent on our chief executive officer, Elwood G. Norris, and other key personnel. The loss of Mr. Norris or any of these key personnel could materially adversely affect our business, financial condition, results of operations and cash flows. In addition, competition for skilled and non-skilled employees among companies like ours is intense, and the loss of skilled or non-skilled employees or an inability to attract, retain and motivate additional skilled and non-skilled employees required for the operation and expansion of our business could hinder our ability to conduct research activities successfully, develop new products, attract customers and meet customer shipments.

Risk Factors Relating to the Spin-Off

We may be unable to achieve some or all of the benefits that we expect to achieve from our separation from LRAD Corporation.

As a stand-alone, independent public company, we believe that our business will benefit from, among other things, allowing our management to design and implement corporate policies and strategies that are based primarily on the characteristics of our business, to focus our financial resources wholly on our own operations and to implement and maintain a capital structure designed to meet our own specific needs. However, we may not be able to achieve some or all of the benefits expected as a result of the spin-off.

Additionally, by separating from LRAD Corporation, there is a risk that our company may be more susceptible to stock market fluctuations and other adverse events than we would have been before the spin-off due to a reduction in market diversification. As a separate, stand-alone entity, we may be unable to access financial and other resources on terms as favorable as those available to us before the separation. Furthermore, as a stand-alone company, we will not be able to enjoy certain benefits from LRAD Corporation's operating diversity, borrowing leverage and available capital for investments.

If the distribution, together with certain related transactions, fails to qualify for tax-free treatment for U.S. federal income tax purposes, then our stockholders, we and/or LRAD Corporation might be subject to significant tax liability.

If the spin-off fails to qualify for tax-free treatment, LRAD Corporation would be treated as if it had sold the common stock of our company for its fair market value, resulting in a taxable gain to the extent of the excess of such fair market value over its tax basis in our stock. In general, our initial public stockholders would be treated as if they had received a taxable distribution equal to the fair market value of our common stock that was distributed to them. For additional information, see "*Material U.S. Federal Income Tax Consequences of the Spin-Off*" beginning on page 24.

Our operations depend on the availability of additional financing. After the spin-off, we will not be able to obtain financing from LRAD Corporation.

Following the spin-off, we may not have sufficient liquidity to support the development of our business. Parametric Sound may require additional financing for liquidity, capital requirements and growth initiatives. After the spin-off, LRAD Corporation will not provide funds to us. Accordingly, we will depend on our ability to generate cash flows from operations, borrow funds and issue securities in the capital markets to maintain and expand our business. We may need to incur debt on terms and at interest rates that may not be as favorable as those historically available to LRAD Corporation. In addition, future events may prevent us from borrowing funds or raising any equity or equity-based capital. An inability to obtain financing on favorable terms could have a negative effect on our results of operations, cash flows and financial condition.

Our ability to operate our business may suffer if we do not, quickly and cost-effectively, establish our own financial, administrative and other support functions to successfully operate as a stand-alone entity.

Historically, our business has relied on financial, administrative and other resources of LRAD Corporation. After the spin-off, we will need to immediately create our own financial, administrative and other support systems or contract with a third party(s) to provide these resources. Any services we establish or contract for may not be sufficient to meet our needs, and we may not be able to obtain these services at cost-effective prices or on favorable terms. Any failure or significant downtime in our financial or administrative systems could prevent us from paying our employees, billing our customers or performing other administrative services on a timely basis and could materially harm our business or operations.

Our historical financial information or pro forma financial statements may not be indicative of our future results as an independent company.

The historical financial information we have included in this information statement may not reflect what our results of operations, financial position and cash flows would have been if we had been an independent company during the periods presented or be indicative of what our results of operations, financial position and cash flows may be in the future. Our results could have been dramatically different as a stand-alone company, and these statements may not be a reliable indicator of what our results of operations, cash flows and financial condition will be in the future.

For additional information about the past financial performance of our business and the basis of the presentation of the historical combined financial statements, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on page 34 and the historical financial statements and the accompanying notes included elsewhere in this information statement.

Risk Factors Relating to Our Common Stock

There may not be an active trading market for shares of our common stock.

There is no public trading market for shares of our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market in our common stock or how liquid such a market might become. It is possible that, after the spin-off, an active trading market will not develop or continue, and there can be no assurance as to the price at which our common stock will trade. The initial share price of our common stock may not be indicative of prices that will prevail in the future.

In addition, because of the significant changes that will take place as a result of the spin-off, the trading market for both our common stock and LRAD Corporation’s common stock after the spin-off may be significantly different from that for LRAD Corporation’s common stock before the spin-off. The market may view us as a “new” company after the spin-off, and we will not be the subject of research analyst coverage. The absence of research analyst coverage can adversely affect the market value and liquidity of an equity security.

We cannot predict the price range or volatility of our common stock after the spin-off, and sales of a substantial number of shares of our common stock may adversely affect the market price of our common stock.

From time to time, the market price and volume of shares traded of companies in the industries in which we operate experience periods of significant volatility. Company-specific issues and developments generally affecting our industries or the economy may cause this volatility. The market price of our common stock may fluctuate in response to a number of events and factors, including:

- general economic, market and political conditions;
- quarterly variations in results of operations or results of operations that are below public market analyst and investor expectations;
- changes in financial estimates and recommendations by securities analysts;
- operating and market price performance of other companies that investors may deem comparable;
- press releases or publicity relating to us or our competitors or relating to trends in our markets; and
- sales of common stock or other securities by insiders.

In addition, broad market and industry fluctuations, investor perception and the depth and liquidity of the market for our common stock may adversely affect the trading price of our common stock, regardless of actual operating performance.

Sales or distributions of a substantial number of shares of our common stock in the public market or otherwise following the spin-off, or the perception that such sales could occur, could adversely affect the market price of our common stock. After the spin-off, all of the shares of our common stock, other than the shares held by executive officers and directors, will be eligible for immediate resale in the public market. Investment criteria of certain investment funds and other holders of our common stock may result in the immediate sale of our common stock after the spin-off to the extent such stock no longer meets these criteria. Substantial selling of our common stock, whether as a result of the spin-off or otherwise, could adversely affect the market price of our common stock.

We cannot assure you as to the price at which our common stock will trade after the distribution date. Until our common stock is fully distributed and an orderly market develops in our common stock, the price at which our common stock trades may fluctuate significantly and may be lower or higher than the price that would be expected for a fully distributed issue.

We may issue additional common stock in the future. The issuance of additional common stock may reduce the value of your common stock.

We may issue additional shares of common stock without further action by our stockholders. Moreover, the economic and voting interests of each stockholder will be diluted as a result of such issuances. Although the number of shares of common stock that stockholders presently own will not decrease, such shares will represent a smaller percentage of the total shares that will be outstanding after the issuance of additional shares. The issuance of additional shares of common stock may cause the market price of our common stock to decline.

Sales of common stock issuable on the exercise of any future options or warrants may lower the price of our common stock.

We intend to adopt a stock option plan promptly following the distribution, which will authorize the grant of options to purchase up to 3,000,000 shares of our common stock to our employees, directors and consultants. We also intend to issue warrants on up to 1,500,000 common shares at the distribution date as part of our debt financing and may issue common stock purchase warrants or other securities convertible into common stock in the future. The issuance of shares of common stock issuable upon the exercise or conversion of convertible securities, options or warrants could cause substantial dilution to existing holders of common stock, and the sale of those shares in the market could cause the market price of our common stock to decline. The potential dilution from the issuance of these shares could negatively affect the terms on which we are able to obtain equity financing.

We may issue preferred stock in the future, and the terms of the preferred stock may reduce the value of your common stock.

We are authorized to issue up to 1,000,000 shares of preferred stock in one or more series. Our Board of Directors may determine the terms of future preferred stock offerings without further action by our stockholders. If we issue preferred stock, it could affect your rights or reduce the value of your common stock. In particular, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with or sell our assets to a third party. Preferred stock terms may include voting rights, preferences as to dividends and liquidation, conversion and redemption rights and sinking fund provisions.

The payment of dividends will be at the discretion of our Board of Directors.

The declaration and amount of future dividends, if any, will be determined by our Board of Directors and will depend on our financial condition, earnings, capital requirements, financial covenants, regulatory constraints, industry practice and other factors our Board deems relevant. See “*Dividend Policy*” on page 27 for additional information on our dividend policy following the spin-off.

Efforts to comply with recently enacted changes in securities laws and regulations will increase our costs and require additional management resources, and we still may fail to comply.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report of management on internal controls over financial reporting in their annual reports on Form 10-K. In addition, our Annual Report on Form 10-K for the year ending September 30, 2011 will need to include an attestation report from the public accounting firm auditing our financial statements regarding the effectiveness of our internal controls over financial reporting. If we are unable to conclude that we have effective internal controls over financial reporting or if our independent auditors are unable to provide us with an unqualified report as to the effectiveness of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, investors may lose confidence in the reliability of our financial statements which could result in a decrease in the value of our securities. We have not yet begun a formal process to establish or evaluate our internal controls over financial reporting. Given the status of our efforts, coupled with the fact that guidance from regulatory authorities in the area of internal controls continues to evolve, substantial uncertainty exists regarding our ability to comply with these requirements within the prescribed time frame.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This information statement and other materials filed or to be filed by us and LRAD Corporation, as well as information in oral statements or other written statements made or to be made by us and LRAD Corporation, contain statements, including in this document under the captions “Executive Summary,” “Questions and Answers About the Spin-Off,” “Risk Factors,” “The Spin-Off,” “Capitalization and Financing,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and “Our Relationship with LRAD Corporation After the Spin-Off,” that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates,” “foresees” or the negative version of those words or other comparable words and phrases. Any forward-looking statements contained in this information statement are based on our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. There may be events in the future that we are not able to predict accurately or control. The factors listed under “Risk Factors,” as well as any cautionary language in this information statement, provide examples of risks, uncertainties and events that may cause our results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this information statement could have a material adverse effect on our business, results of operations and financial position.

Forward-looking statements, whether express or implied, are not guarantees of future performance and are subject to risks and uncertainties that can cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to:

- risks that we may not have sufficient capital in the amounts and at the times needed to finance our business;
- risks inherent in spin-offs, including those related to the capital resources required for business risks, legal risks and risks associated with the tax and accounting treatment of spin-off transactions;
- risks associated with our future revenue source dependent on a new product line not yet in production;
- risks that any future potential revenue opportunities from customers may not materialize to any meaningful degree or at all;
- risks of delays or unforeseen technical obstacles in arranging production and bringing our new product line to market;
- risks of operating as an independent, stand-alone company and loss of certain benefits associated with being owned as part of a larger company;
- risks that the expected benefits of the spin-off may not be fully realized or may take longer to realize than anticipated;
- absence of a public market for our common stock;

- our ability to attract and retain qualified personnel and key employees;
- our ability to establish our own financial, administrative and other support functions;
- difficulty in predicting the timing or outcome of new product development efforts;
- the amount and timing of costs associated with research and development of our product line;
- our ability to generate operating revenue;
- market adoption of any new products;
- the competitive nature of the sound reproduction industry;
- our ability and that of our suppliers to comply with laws, regulations and standards, and the application and interpretation of those laws, regulations and standards, that govern or affect the electronics and sound reproduction industries, the non-compliance with which may delay or prevent the development of products;
- the availability and price of acceptable raw materials and components from third-party suppliers;
- volatility in the financial markets;
- any adverse outcome in litigation to which we may become a party;
- general economic, political and business conditions that adversely affect our company or our suppliers or any company to which we sell our products;
- changes in costs, including changes in labor costs and raw material prices;
- the impact on our product development of patents and other proprietary rights licensed or owned by us; and
- the ability to successfully have our products manufactured in an efficient, time-sensitive and cost-effective manner.

You should read this information statement completely and with the understanding that actual future results may be materially different than expectations. All forward-looking statements made in this information statement are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this information statement, and neither LRAD Corporation nor we undertake any obligation (and we and LRAD Corporation expressly disclaim any such obligation), other than as may be required by law, to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events or changes in future operating results over time or otherwise.

THE SPIN-OFF

The Board of Directors of LRAD Corporation has determined that a spin-off of our business from LRAD Corporation and the distribution of our common stock to LRAD Corporation stockholders is in the best interests of LRAD Corporation and its stockholders. The Board of Directors of LRAD Corporation determined that separating the HSS technology business from its other operations would create the opportunity to complement improved emitter technology with new electronic processing technology and better position the new entity to thrive under its own management focus and long-term growth plans. The Board of Directors believes the separate entities have the opportunity to create more long-term stockholder value individually than through the current combined entity.

We believe the spin-off will be tax-free for stockholders; however, we do not have any ruling from the U.S. Internal Revenue Service nor do we have a favorable opinion by our accounting firm confirming the spin-off's tax-free status. You should consult your own tax advisor as to the particular consequences of the spin-off to you. LRAD Corporation's Board of Directors will establish record and payment dates for the spin-off shortly before the completion of the distribution.

Reasons for the Spin-Off

LRAD Corporation's Board of Directors believes the spin-off will separate businesses with different product characteristics that require management to pursue different operating and business strategies. The separation is intended to benefit stockholders by allowing each separate company to maximize the performance of its business assets through undivided senior management focus on and capital allocation to its respective businesses.

The Board of Directors of LRAD Corporation considered the following potential benefits in making the determination to effect the spin-off and determined that the spin-off will:

- Allow us to capitalize on the opportunity to complement existing HSS emitter technology with new processing and control electronics developed independently by Mr. Norris. Parametric Sound intends to introduce a new product line based on the combined technology.
- Separate the risk of new parametric sound product development and introduction, including the likely operating losses generally associated with such product development, from LRAD Corporation's LRAD and other business and operating results.
- Reduce internal competition for capital and enhance the possibility of raising capital for the parametric sound business. Recently, the availability of financial and personnel resources for the HSS business has been limited because LRAD Corporation's business strategy has been focused on building its LRAD business. As an independent company, we will have direct access to the public and private capital markets to allow us to seek to finance our operations and growth without having to compete with LRAD Corporation's LRAD and other businesses with respect to financing.
- Allow management of each separate company to (1) design and implement corporate strategies and policies that are based primarily on the business characteristics of that company, (2) maintain a sharper focus on core business and growth opportunities, (3) concentrate their financial resources wholly on their own operations. LRAD Corporation's management believes that a separate focus on these items could allow each company to generate stockholder value not currently being realized.
- Allow each separate company to recruit and retain employees pursuant to compensation policies that are appropriate for their respective lines of business. As a separate, publicly-traded company with our own executive management team, we may be able to attract greater media attention and press coverage, which could strengthen our ability to promote our product brand.
- Provide both companies heightened strategic flexibility to form strategic business alliances in their target markets, unencumbered by considerations of the potential impact on the other business.
- Create common equity shares for Parametric Sound including options after the distribution, providing the appropriate incentive mechanisms to motivate and reward our management, employees and consultants. The common stock of the independent, publicly-traded Parametric Sound will have a value that reflects the efforts and performance of our management and employees. As a result, following the distribution we will be able to develop better incentive programs to attract and retain key employees through the use of stock-based and performance-based incentive plans that more directly link their compensation with our financial performance. These programs will be designed to more directly reward employees based on our performance.
- Increase transparency and clarity into the different businesses of LRAD Corporation and Parametric Sound. The investment community, including the respective analysts, stockholders and investors of LRAD Corporation and Parametric Sound will be better able to evaluate the merits and future prospects of each company. This will enhance the likelihood that each company will receive appropriate market recognition of its individual performance and potential.

Neither we nor LRAD Corporation can assure you that, following the spin-off, any of these benefits will be realized to the extent anticipated or at all. For a description of the factors that might impact our ability to achieve these benefits, see "*Risk Factors*" beginning on page 11. LRAD Corporation's Board of Directors also considered a number of other factors in evaluating the spin-off, including:

- our capital structure;
- the one-time and on-going costs of the spin-off;
- the diversion of management attention resulting from the time and effort necessary to complete the spin-off;
- the effects of a possible overlap during the transition from the existing product sold by LRAD Corporation and the introduction of new product;
- the risk that the businesses of the two companies may overlap or compete in the future;
- the risk that Parametric Sound may fail as an independent entity due to a lack of financing, lack of new product success or for any variety of other reasons including but not limited to those described in "*Risk Factors*" and the impact, if any, that such a failure would have on LRAD Corporation; and
- the risk that the combined trading prices of our common stock and LRAD Corporation common stock after the distribution may be lower than the trading price of LRAD Corporation common stock before the distribution.

LRAD Corporation's Board of Directors concluded that the potential long-term benefits of the spin-off outweigh these factors, and that separating us from LRAD Corporation in the form of what management believes is a tax-free distribution is appropriate and advisable.

Manner of Effecting the Spin-Off

The general terms and conditions relating to the spin-off will be set forth in the Separation Agreement between us and LRAD Corporation. The spin-off will be effective at 11:59 p.m., California time on the distribution date, which is _____, 2010. The record date is _____, 2010. To receive shares of Parametric Sound common stock in the spin-off, holders of LRAD Corporation common stock must be stockholders as of 5:00 p.m., California time, on the record date. Each LRAD Corporation common stockholder will receive one share of our common stock for every two shares of LRAD Corporation common stock they owned on the record date. Each share of our common stock that is distributed will be validly issued, fully paid and nonassessable and free of preemptive rights. See "Description of Our Capital Stock" on page 56.

The spin-off of our shares will be made in book-entry form, and physical stock certificates will be issued only upon request. For LRAD Corporation stockholders who own LRAD Corporation common stock in registered form, the transfer agent will credit their shares of Parametric Sound common stock to book-entry accounts established by the transfer agent to hold their Parametric Sound common stock, and the distribution agent will send them a statement reflecting their Parametric Sound common stock ownership. Book-entry refers to a method of recording stock ownership in our records in which no physical certificates are issued. For stockholders who own LRAD Corporation common stock through a broker or other nominee, their shares of Parametric Sound common stock will be credited to their accounts by the broker or nominee. Following the spin-off, stockholders whose shares are held in book-entry form may request that their shares be transferred to a brokerage or other account, or that physical stock certificates be sent to them, in each case at any time and without charge.

LRAD Corporation stockholders will not be required to pay or provide any consideration for shares of our common stock received in the spin-off or to surrender or exchange shares of LRAD Corporation common stock in order to receive our common stock or to take any other action in connection with the spin-off. LRAD Corporation stockholders have no appraisal or dissenters' rights in connection with the spin-off.

Fractional shares of our common stock will not be issued to LRAD Corporation stockholders as part of the spin-off nor credited to book-entry accounts. Any fractional shares of our common stock that would otherwise be issuable in the spin-off will be rounded up to the next whole share. You may have to pay taxes on any shares that you receive as a result of the rounding up of fractional shares. For a discussion of the material U.S. federal income tax consequences of the distribution, including the receipt of a whole share in lieu of fractional shares, please see "*Material U.S. Federal Income Tax Consequences*" beginning on page 24.

After the spin-off, many of our stockholders may hold odd lots or blocks of less than 100 shares of our common stock. An investor selling an odd lot may be required to pay a higher commission rate than an investor selling round lots or blocks of 100 shares.

TO RECEIVE SHARES OF OUR COMMON STOCK IN THE SPIN-OFF, YOU MUST BE A HOLDER OF LRAD CORPORATION COMMON STOCK AT 5:00 P.M., CALIFORNIA TIME, ON THE RECORD DATE.

Contributed Assets

In connection with the distribution, LRAD Corporation has contributed or will contribute to us certain business assets as described below. It will effect this contribution by transferring or assigning assets to us. LRAD Corporation will have no interest in our assets and business and will have no obligation with respect to our liabilities after the distribution. Similarly, we will have no interest in the assets of LRAD Corporation's other businesses and no obligation with respect to the liabilities of LRAD Corporation's retained businesses after the distribution.

The assets contributed include the following specific assets along with a general assignment of the business assets of the HSS business:

- 27 U.S. Patents, 3 foreign patents and 4 pending patents related to the HSS technology with a book value of approximately \$502,000 at March 31, 2010. The technology related to six additional U.S. patents previously abandoned by LRAD Corporation will also be part of the assignment;
- 4 U.S. trade names (including HSS® and HyperSonic®) along with certain additional foreign rights to such names;
- inventory consisting of emitter film and emitter and electronic parts with a book value of approximately \$23,434 and an original cost of approximately \$1.1 million, the difference being previous LRAD Corporation inventory allowances for excess parts, with an estimated \$170,000 of such parts usable in future production based on our new product design;
- tooling and molds that have been fully depreciated and have no remaining book value;
- manufacturing jigs, testing and other equipment that has been fully depreciated and has no remaining book value;
- drawings, technical descriptions, assembly details and component listings;
- customer, representative and supplier lists; and
- manufacturing methods, know-how and trade secrets related to HSS and HSS production.

Mr. Norris has filed for patent coverage on his new inventions that we intend to use in our new product line. We intend to evaluate during early production patents that we deem important to protecting continuing technology and rights. We may elect to abandon and write-down the value of additional patents upon completion of this review. We expect this review to be completed by September 30, 2010. Generally, patents are legally abandoned by not paying the periodic renewal fees.

LRAD Corporation is not transferring certain parts and electronic component inventory intended for remaining H450 production and warranty service. See *“Our Relationship with LRAD Corporation After the Spin-Off”* beginning on page 52.

Results of the Spin-Off

After the spin-off, we will be a separately traded, public company. Immediately following the spin-off, we expect to have approximately 1,034 record holders of shares of our common stock based on the number of beneficial and record holders, respectively, of shares of LRAD Corporation common stock on June 23, 2010. We expect that approximately 15,305,728 shares of our common stock will be issued and outstanding following the completion of the spin-off based on the number of outstanding shares of LRAD Corporation common stock as of the close of business on June 23, 2010 and the distribution ratio of one share of Parametric Sound common stock for every two shares of LRAD Corporation common stock. No fractional shares of our common stock will be issued in the distribution. Any fractional shares of our common stock that would otherwise be issuable will be rounded up to the next whole share. The actual number of shares to be distributed will be determined on the record date and will reflect any exercise of LRAD Corporation options or warrants or other share issuances prior to the record date.

LRAD Corporation has stock purchase warrants outstanding for the purchase of up to 1,948,204 shares of common stock at \$2.67 per share through August 6, 2010. The terms of these warrants provide that if the warrants are exercised after the record date for the spin-off, warrant holders will be entitled to their pro-rata distribution as if the warrants had been exercised before the record date. Accordingly, if all the warrants are exercised then we will be required to issue an additional approximate 974,102 shares of our common stock. Our agreement with LRAD Corporation provides that if LRAD Corporation's common stock is trading at or above the exercise price at the time of exercise, then LRAD Corporation will retain the exercise proceeds (a maximum of \$5,201,705 if all the warrants are exercised) and we will receive none of the proceeds.

After the record date, the holders of the warrants will be evaluating the exercise price (currently \$2.67 subject to adjustment) compared to the value of the securities issuable upon exercise consisting of one share of LRAD Corporation common stock and 1/2 share of Parametric Sound common stock for each warrant exercised. If the warrants are exercised when LRAD Corporation's stock is less than the \$2.67 per share exercise price, then the difference between the exercise price and LRAD Corporation's market price will be payable to us up to a maximum of \$0.25 per share. For example, if LRAD Corporation common stock is trading at \$2.50 per share and all the warrants are exercised, then LRAD Corporation will receive \$2.50 per exercised share (or \$4,870,510) and we will receive \$0.17 per exercised share of LRAD Corporation common stock (or \$331,195) for the 974,102 shares we will be required to issue. The closing price for LRAD Corporation common stock on June 7, 2010 was \$1.38.

If the warrants are exercised, the issuance of additional shares of Parametric Sound common stock will be dilutive to Parametric Sound stockholders.

LRAD Corporation and Parametric Sound will be parties to an agreement that governs the spin-off and the future relationship between the two companies. For a more detailed description of this agreement, please see "Our Relationship with LRAD Corporation After the Spin-Off" beginning on page 52.

The spin-off will not affect the number of outstanding shares of LRAD Corporation common stock or any rights of LRAD Corporation stockholders, although it may affect the market value of each outstanding share of LRAD Corporation common stock.

Material U.S. Federal Income Tax Consequences of the Spin-Off

The following is a summary of certain U.S. federal income tax consequences to LRAD Corporation, the holders of LRAD Corporation common stock, us and the holders of our common stock after the spin-off as of the date hereof. This summary does not discuss all tax considerations that may be relevant to stockholders in light of their particular circumstances, nor does it address the consequences to stockholders subject to special rules under the U.S. federal income tax laws, such as stockholders subject to the alternative minimum tax, tax-exempt entities, non-resident alien individuals, foreign entities, foreign trusts and estates and beneficiaries thereof, stockholders who acquire shares as compensation for services (including holders of LRAD Corporation restricted stock who did not make a Section 83(b) election), banks, insurance companies, other financial institutions, traders in securities that use mark-to-market accounting, and dealers in securities or commodities. In addition, this summary does not address any state, local or foreign tax consequences. This summary is based upon provisions of the Internal Revenue Code (the "Code"), and regulations, rulings and judicial decisions, as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

If a partnership holds LRAD Corporation or our common stock, the tax rule of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding LRAD Corporation or our common stock, you should consult your tax advisors.

All stockholders should consult their own tax advisors concerning the specific tax consequences of the spin-off of our common stock to holders of LRAD Corporation common stock in light of their particular circumstances. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor.

LRAD Corporation has no ruling of any kind whatsoever from the IRS to the effect that the spin-off will qualify as a tax-free transaction under Section 355 of the Code and/or a tax-free reorganization under Section 368(a)(1)(D) of the Code. In part due to the non-binding nature of private letter rulings, and in part due to the time and expense required to obtain such a ruling, LRAD Corporation has determined not to request a private letter ruling from the IRS with respect to the spin-off. We have also not requested an opinion from our accounting firm confirming the tax-free status of the transaction.

Therefore, on the basis of our opinion only, and assuming that LRAD Corporation common stock is a capital asset in the hands of an LRAD Corporation stockholder on the distribution date:

- holders of LRAD Corporation common stock will not recognize any income, gain or loss as a result of the receipt of shares of our common stock in the spin-off;
- holders of LRAD Corporation common stock will apportion the tax basis of their LRAD Corporation common stock between such LRAD Corporation common stock and our common stock received in the spin-off in proportion to the relative fair market values of such stock at the time of the spin-off;
- the holding period for our common stock received in the spin-off by holders of LRAD Corporation common stock will include the period during which such holders held the LRAD Corporation common stock with respect to which the spin-off was made; and
- neither we nor LRAD Corporation will recognize gain or loss as a result of the spin-off.

Current federal tax regulations also generally provide that if an LRAD Corporation stockholder holds different blocks of LRAD Corporation common stock (generally shares of LRAD Corporation common stock purchased on different dates or at different prices), the aggregate basis for each block of LRAD Corporation common stock purchased or acquired on the same date and at the same price will be allocated, to the greatest extent possible, between the shares of our common stock received in the spin-off in respect of such block of LRAD Corporation common stock and such block of LRAD Corporation common stock, in proportion to their respective fair market values, and the holding period of the shares of our common stock received in the spin-off in respect of such block of LRAD Corporation common stock will include the holding period of such block of LRAD Corporation common stock, provided that such block of LRAD Corporation common stock was held as a capital asset on the distribution date. If an LRAD Corporation stockholder is not able to identify which particular shares of our common stock are received in the spin-off with respect to a particular block of LRAD Corporation common stock, for purposes of applying the rules described above, the stockholder may designate which shares of our common stock are received in the spin-off in respect of a particular block of LRAD Corporation common stock, provided that the number of shares so designated is consistent with the ratio of the total number of shares of our common stock distributed to the LRAD Corporation stockholder in the spin-off to the total number of shares of LRAD Corporation common stock on which the LRAD Corporation stockholder received that distribution.

If you receive a whole share of Parametric Sound in lieu of a fractional share, you will be treated as though you first received a distribution of the fractional share in the spin-off taxable at the market price on the date of distribution. You will generally recognize capital gain or loss, provided that the fractional share is considered to be held as a capital asset, measured by the difference between the market value for such fractional share and your tax basis in that fractional share, as determined above. Such capital gain or loss will be long-term capital gain or loss if your holding period (as determined above) for such fractional share is more than one year on the distribution date.

If the distribution were not to qualify as a tax-free spin-off, each LRAD Corporation stockholder receiving shares of our common stock in the spin-off would be treated as if such stockholder had received a distribution in an amount equal to the fair market value of our common stock received, which would result in (1) a taxable dividend to the extent of such stockholder's pro rata share of LRAD Corporation's current and accumulated earnings and profits, (2) a reduction in such stockholder's basis in LRAD Corporation common stock to the extent the amount received exceeds such stockholder's share of earnings and profits and (3) a taxable gain to the extent the amount received exceeds the sum of the amount treated as a dividend and the stockholder's basis in LRAD Corporation common stock. Any such gain would generally be a capital gain if the LRAD Corporation common stock is held as a capital asset on the distribution date. In addition, LRAD Corporation would recognize a taxable gain to the extent the fair market value of our common stock exceeded its tax basis in such common stock.

Even if the spin-off otherwise qualifies for tax-free status under Section 355 of the Code, LRAD Corporation could recognize taxable gain if the spin-off is determined to be part of a plan or series of related transactions pursuant to which one or more persons acquire, directly or indirectly, stock representing a 50% or greater interest in either LRAD Corporation or Parametric Sound following the spin-off. Under the Code, any acquisitions of LRAD Corporation or Parametric Sound within the four-year period beginning two years before the date of the spin-off are presumed to be part of such a plan. Regulations issued by the IRS, however, provide mitigating rules in many circumstances. Nonetheless, a merger, recapitalization or acquisition, or issuance or redemption of our common stock after the spin-off could, in some circumstances, be counted toward the 50% change of ownership threshold.

There are other restrictions imposed on us under current U.S. federal tax law for spin-offs with which we will need to comply in order to preserve the favorable tax rule of the distribution, such as continuing to own and manage our parametric sound business and limitations on sale or redemptions of our common stock or other property following the distribution. If you are a “significant distributee” with respect to the spin-off, you are required to attach a statement to your federal income tax return for the year in which the spin-off occurs setting forth our name and IRS employer identification number, LRAD Corporation’s name and IRS employer identification number, the date of the spin-off, and the fair market value of the shares of our common stock that you receive in the spin-off. Upon request, LRAD Corporation will provide the information necessary to comply with this reporting requirement to each stockholder of record as of 5:00 p.m., California time, on the record date. You are a “significant distributee” with respect to the spin-off if you own at least 5% of the outstanding shares of LRAD Corporation common stock immediately before the spin-off. You should consult your own tax advisor concerning the application of this reporting requirement in light of your particular circumstances.

Listing and Trading of Our Common Stock

There is currently no public market for our common stock. Following the spin-off, we currently anticipate that quotations for our common stock will be available on the OTCBB quotation and trading system, and that a ticker symbol for our common stock will be assigned for our common stock shortly before quotations for our common stock first become available. It is possible that a limited trading market, known as a “when-issued” trading market, may develop on or shortly before the record date for the spin-off and that regular trading, to the extent available on the OTCBB quotation and trading system, will begin on the first trading day after the effective date of the spin-off. When-issued trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. On the first trading day following the distribution date, when-issued trading with respect to our common stock will end and regular way trading will begin. Regular way trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of the transaction.

We cannot predict what the trading prices for our common stock will be before or after the distribution date. We also cannot predict any change that may occur in the trading price of LRAD Corporation common stock as a result of the spin-off. Until our common stock is fully distributed and an orderly market develops in our common stock, the price at which it trades may fluctuate significantly and may be lower or higher than the price that would be expected for a fully distributed issue. See “*Risk Factors Relating to Our Common Stock*” beginning on page 17.

The shares of our common stock distributed to LRAD Corporation stockholders will be freely transferable except for shares received by persons who may be deemed to be our “affiliates” under the Securities Act of 1933, as amended (“Securities Act”). Persons that may be considered affiliates of us after the spin-off generally include individuals or entities that control, are controlled by or are under common control with us. This may include some or all of our officers and directors as well as our principal stockholders. Persons that are our affiliates will be permitted to sell their shares only pursuant to an effective registration statement under the Securities Act, or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Section 4(1) of the Securities Act or Rule 144 thereunder.

Spin-off Conditions and Termination

We expect that the spin-off will be effective on the distribution date, _____, 2010, provided that, among other things:

- the SEC has declared effective our registration statement on Form 10, of which this information statement is a part, under the Securities Exchange Act of 1934, as amended, and no stop order relating to the registration statement is in effect; and
- no action, proceeding or investigation shall have been instituted or threatened before any court or administrative body to restrain, enjoin or otherwise prevent the consummation of the spin-off, and no restraining order or injunction issued by any court of competent jurisdiction shall be in effect restraining the consummation of the spin-off.

The fulfillment of the foregoing conditions will not create any obligation on LRAD Corporation’s part to effect the spin-off, and the Board of Directors of LRAD Corporation has reserved the right to amend, modify or abandon the spin-off and the related transactions at any time before the distribution date. The Board of Directors of LRAD Corporation may also waive any of these conditions.

LRAD Corporation has the right to terminate the distribution, even if all conditions have been met, if at any time LRAD Corporation's Board of Directors determines, in its sole discretion, that LRAD Corporation and its stockholders are better served by retaining Parametric Sound as a wholly owned subsidiary or that business conditions are such that it is not advisable to complete the spin-off. Business conditions that could cause LRAD Corporation's Board of Directors to terminate the spin-off include, among other things, deterioration in business value or a decline in the equity market valuation for such businesses. If the distribution is canceled, then the license agreement between Parametric Sound and Syzygy for the new HSS technology will not be executed. LRAD Corporation may be unwilling or unable to continue to develop its parametric sound HSS business or license the new technology from Syzygy, and Syzygy may be unwilling to license the new technology to LRAD Corporation.

Reason for Furnishing this Information Statement

This information statement is being furnished solely to provide information to LRAD Corporation stockholders who will receive shares of our common stock in the spin-off. It is not and is not to be construed as an inducement or encouragement to buy or sell any securities. We believe that the information contained in this information statement is accurate as of the date set forth on the cover. Changes may occur after that date and neither LRAD Corporation nor Parametric Sound undertakes any obligation to update the information except in the normal course of our respective public disclosure obligations.

DIVIDEND POLICY

The declaration and amount of future dividends, if any, will be determined by our Board of Directors and will depend on our financial condition, earnings, capital requirements, financial covenants, regulatory constraints, industry practice and other factors our Board deems relevant.

CAPITALIZATION AND FINANCING

Capitalization

The following table sets forth our unaudited capitalization as of March 31, 2010 on an historical basis and on a pro forma basis to give effect to the spin-off. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical and unaudited pro forma financial statements and notes thereto included elsewhere in this information statement. For an explanation of the pro forma adjustments made to our historical financial statements for the spin-off, please see "Unaudited Pro Forma Financial Statements."

	March 31, 2010	
	<u>Historical</u> (Unaudited)	<u>Pro Forma</u> (Unaudited)
Cash	\$ -	\$ 105,000
Notes payable, net	\$ -	\$ 304,400
Stockholders' equity:		
LRAD Corporation, net investment	694,919	-
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value, 50,000,000 shares authorized, 15,305,728 shares issued and outstanding	-	15,306
Additional paid-in capital	-	555,240
Accumulated deficit	-	(237,500)
Total capitalization	<u>\$ 694,919</u>	<u>\$ 637,446</u>

Upon the closing of the spin-off, LRAD Corporation's net investment in Parametric Sound will be redesignated as Parametric Sound stockholders' equity and will be allocated between common stock and additional paid-in capital based on the number of shares of Parametric Sound common stock outstanding at the closing of the spin-off. We have assumed for purposes of the pro forma financial statements a distribution ratio of one share of our common stock for each two outstanding share of LRAD Corporation common stock. And we have not assumed any issuance related to LRAD Corporation's outstanding stock purchase warrants and the minimal effect of the rounding up of fractional shares only determinable at the distribution.

Financing

We expect to fund a minimum of \$350,000 and a maximum of \$750,000 of subordinated note financing with accompanying stock purchase warrants at the distribution date. We have nonbinding indications of interest for \$650,000 and Mr. Norris has agreed to, at a minimum, guarantee that at least the minimum amount of the financing of \$350,000 is funded at the distribution date through conversion of amounts owed to Syzygy and additional cash on the same terms as other investors. These funds are intended to fund the spin-off and related costs and provide initial operating working capital to start the process of bringing our new product line to production.

The terms of the debt financing consist of subordinate promissory notes due in one year from the date of distribution with interest at 8%. Investors will be issued a warrant exercisable for two shares of our common stock for each \$1.00 of debt financing, a total of 700,000 warrants if the minimum note financing is funded (1,500,000 warrants if the maximum financing is funded). The warrants will have a five-year term and contain a cashless exercise provision, subject to certain limitations. The exercise price of the warrants shall be fixed as the average of the closing price of our common stock for the first 20 days of trading subject to a minimum exercise price of \$0.10 and a maximum exercise price of \$0.30 per common share.

We may call the warrants for exercise after six months if thereafter the closing price of our common stock for any 10 consecutive trading days exceeds \$0.90 per share as long as notice is given within ten days of the end of any such period. We may offset any note principal against the warrant exercise price, thereafter any remaining warrants may be exercised on a cash or cashless basis at the option of the holder.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The unaudited pro forma financial statements reported below consist of an unaudited pro forma balance sheet as of March 31, 2010 and unaudited pro forma statements of operations for the six months ended March 31, 2010 and for the year ended September 30, 2009. The unaudited pro forma financial statements reported below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," our audited combined financial statements and the notes thereto, and the unaudited interim financial statements and the notes thereto, all of which are included elsewhere in this information statement.

The Unaudited Pro Forma Balance Sheet and the Unaudited Pro Forma Statements of Operations included in this information statement have been derived from the audited financial statements and unaudited financial statements included elsewhere in this information statement and do not purport to represent what our financial position and results of operations actually would have been had the distribution and related transactions occurred on the dates indicated or to project our financial performance for any future period. LRAD Corporation did not account for us as, and we were not operated as, a separate, stand-alone entity, subsidiary, division or segment for the periods presented.

The pro forma balance sheet adjustments assume that our spin-off from LRAD Corporation occurred as of March 31, 2010 and reflect (a) the new license agreement, (b) recording of spin-off costs and technology costs to be reimbursed to Syzygy (c) contribution of assets by LRAD Corporation less assets retained by LRAD Corporation and (d) the minimum \$350,000 of new financing (see "Capitalization and Financing") and estimated valuation of related warrants. The amount of inventory transferred to us will be reduced by any usage between March 31, 2010 and the distribution and by the amount retained by LRAD Corporation to complete allowed orders. The actual amount we receive may be different than that estimated and will be determined at the distribution date with any excess not used by LRAD being transferred to us at a future date.

The pro forma adjustments to the statements of operations for the six months ended March 31, 2010 and for the year ended September 30, 2009 assume that the spin-off occurred as of October 1, 2008 and reflect adjustments noted above and described in the Notes to Unaudited Pro Forma Financial Statements below. The pro forma statements of operations do not reflect:

- any future patent or inventory impairment that may result from transition to our new product line.
- a reduction of revenues relating to sales to customers that are expected to be fulfilled by LRAD Corporation after the distribution date.
- the value and use of inventory with no value as a result of previous obsolescence reserves.
- the effect of any possible manufacturing cost savings or improved gross margins from our new product design if successfully produced.
- the effect on revenues if the new product line is priced as planned at a lower unit selling price than in reported periods or the effect on revenues of customer acceptance, if any, of the new product.
- any potential decrease in manufacturing overhead or operating costs management believes may be achievable or any increased incremental expenses, over the amount of general allocation of corporate overhead, associated with being an independent, public company as more fully discussed in the notes below.
- the effect of non-cash expense of any new stock option grants that may be made from the Parametric Sound 2010 Stock Option Plan that we intend to adopt following the distribution compared to the amounts included in the historical financial statements.
- any financing cost of capital such as interest or other expenses associated with funding operations beyond the costs of the minimum \$350,000 of new financing described below. Actual financing costs could be significantly more than the amounts assumed and reflected below. The historical statements included in this information statement do not reflect any additional cost of capital and additional capital is expected to be required beyond the minimum of \$350,000 described below and no costs of such capital is included in the pro forma statements.

Accordingly the historical financial information we have included in this information statement and the pro forma information included below may not reflect what our results of operations, financial position and cash flows would have been had we been an independent company during the periods presented or be indicative of what our results of operations, financial position and cash flows may be in the future when we are an independent company. Results could have been dramatically different and these statements may not be a reliable indicator of what our results of operations, cash flows and financial condition actually may be in the future.

Parametric Sound Corporation
Pro Forma Balance Sheet (Unaudited)
As of March 31, 2010

	<u>Historical (Unaudited)</u>	<u>Pro Forma Adjustments (Unaudited)</u>	<u>Pro Forma (Unaudited)</u>
ASSETS			
Current assets:			
Cash	\$ -	\$ 350,000 (A)	\$ 105,000
Accounts receivable, net	46,854	(245,000) (C)	-
Inventories, net	208,168	(46,854) (B)	23,434
Total current assets	<u>255,022</u>	<u>(184,734) (B)</u>	<u>128,434</u>
Patents, net	501,512	7,500 (C)	509,012
Total assets	<u>\$ 756,534</u>	<u>\$ (119,088)</u>	<u>\$ 637,446</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 4,815	\$ (4,815) (B)	\$ -
Accrued liabilities	56,800	(56,800) (B)	-
Notes payable, net of discount	-	304,400 (A)	304,400
Total current liabilities	<u>61,615</u>		<u>304,400</u>
Stockholders' equity:			
LRAD Corporation, net investment	694,919	(169,973) (B)	-
		(524,947) (D)	-
Preferred stock, \$0.001 par value; 1,000,000 shares authorized; none issued and outstanding	-	-	-
Common stock, \$0.001 par value; 50,000,000 shares authorized; 15,305,728 shares issued and outstanding	-	15,306 (D)	15,306
Additional paid-in capital	-	555,240 (A) (D)	555,240
Accumulated deficit	-	(237,500) (C)	(237,500)
Total stockholders' equity	<u>694,919</u>		<u>333,048</u>
Total liabilities and stockholders' equity	<u>\$ 756,534</u>	<u>\$ (119,088)</u>	<u>\$ 637,446</u>

See accompanying notes to unaudited pro forma financial statements

Parametric Sound Corporation
Pro Forma Statement of Operations (Unaudited)
For the Six Months Ended March 31, 2010

	Historical	Pro Forma Adjustments	Pro Forma
Revenues:			
Product sales	\$ 345,145		\$ 345,145
Other revenue	52		52
Total revenues	345,197	(1)	345,197
Cost of revenues	291,496	17,257 (2)	308,753
Gross profit	53,701		36,444
Operating expenses:			
Selling, general and administrative	152,134		152,134
Research and development	55,440	250 (3)	55,690
Total operating expenses	207,574		207,824
Loss from operations	(153,873)		(171,380)
Interest expense	-	36,800 (4)	36,800
Net loss before income taxes	(153,873)		(208,180)
Provision for income taxes	-	(5)	-
Net loss	\$ (153,873)		\$ (208,180)
Net loss per common share - basis and diluted		(6)	\$ (0.01)
Weighted average common shares outstanding - basic and diluted			15,283,417

See accompanying notes to unaudited pro forma financial statements

Parametric Sound Corporation
Pro Forma Statement of Operations (Unaudited)
For the Year Ended September 30, 2009

	Historical	Pro Forma Adjustments	Pro Forma
Revenues:			
Product sales	\$ 586,693		\$ 586,693
Other revenue	20,413		20,413
Total revenues	607,106	(1)	607,106
Cost of revenues	638,763	29,335 (2)	668,098
Gross profit	(31,657)		(60,992)
Operating expenses:			
Selling, general and administrative	839,971		839,971
Research and development	114,798	500 (3)	115,298
Total operating expenses	954,769		955,269
Loss from operations	(986,426)		(1,016,261)
Interest expense	-	73,600 (4)	73,600
Net loss before income taxes	(986,426)		(1,089,861)
Provision for income taxes	-	(5)	-
Net loss	\$ (986,426)		\$ (1,089,861)
Net loss per common share - basis and diluted		(6)	\$ (0.07)
Weighted average common shares outstanding - basic and diluted			15,268,712

See accompanying notes to unaudited pro forma financial statements

Notes to Unaudited Pro Forma Financial Statements

Please note that, due to guidelines governing the preparation of pro forma financial statements, the pro forma financial statements do not reflect certain estimated incremental expenses associated with being an independent, public company. These additional expenses are estimated to be approximately \$65,000 for the six months ended March 31, 2010. The estimated incremental expenses, over the amount of general allocation of corporate overhead in the statements, associated with being an independent, public company include directors' and officers insurance, transfer agent and regulatory fees, investor and public relations, and legal and audit costs. Pro forma guidelines recommend that we record the minimum debt financing in our best-efforts offering, accordingly \$350,000 of debt has been assumed along with related warrants assuming the floor exercise price of \$0.10 per share is also the market price. The actual warrant exercise price could vary significantly as could the ultimate value recorded for such warrants. Any increase in value of the warrants would not change the cash interest rate on the debt but would increase non-cash amortization from the value of the warrants recorded as a debt discount amortized over the debt term.

These unaudited pro forma financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the pro forma results of operations and financial position. The pro forma adjustments to the accompanying historical financial information at March 31, 2010 and for the six months ended March 31, 2010 and for the fiscal year ended September 30, 2009 are described below:

Balance Sheet at March 31, 2010

- (A) Reflects the minimum debt financing of \$350,000 as if funded on March 31, 2010. The \$45,600 value assigned to warrants issued with the debt is included in paid-in capital and as a debt discount. The warrants are valued assuming the minimum floor price is the market price and using volatility of 80% (historical volatility of a selected peer group), a term of 5 years and a risk-free rate of 2.5%.
- (B) The LRAD Corporation net investment account represents the cumulative investments in, distribution from, and losses of our company. LRAD Corporation is retaining certain inventory to complete sales to existing customers, including Cardinal Health, Inc., and is retaining accounts receivable and is responsible for accounts payable and accrued liabilities at the spin-off.
- (C) Reflects reimbursement to Syzygy of \$155,000 in estimated spin-off costs (effectively nonrecurring organization costs) and \$90,000 reimbursement to Syzygy of estimated patent and pre spin-off research costs. The patent costs estimated at \$7,500 are capitalized and other research costs are considered as an expense. These costs are not included in the pro forma operating statements for the respective periods as they are considered nonrecurring charges resulting directly from the transaction and would be duplicative of research and development costs otherwise incurred. Actual costs incurred and reimbursed could differ from our estimates depending on the timing of the actual distribution and actual costs incurred for legal, accounting, printing, mailing, research and other costs.
- (D) Common stock issued and outstanding was calculated assuming a distribution ratio of one share of our common stock for every two shares of LRAD Corporation common stock. The pro forma number of shares is based on the number of shares of LRAD Corporation outstanding at March 31, 2010. The actual number of our shares outstanding will not be known until the actual distribution date.

Operating Statements

- (1) A pro forma adjustment has not been made for revenues to Cardinal Health, Inc. and other customers that will be fulfilled by LRAD Corporation after the spin-off because these revenues are part of the product line that is transferring to Parametric Sound in the spin-off.
- (2) Royalties of 5% computed as if the new license agreement had been in effect for the respective period.
- (3) Reflects amortization of additional patent costs assuming a 15 year estimated useful life.
- (4) Reflects interest of 8% on the minimum debt financing assuming it had been funded at the beginning of each period and amortization of the value of warrants as a note discount amortized over the term of the debt. Assumes the minimum balance remained outstanding for the period presented.
- (5) No tax benefit is recognized as any deferred tax assets resulting from the net losses are offset by a full valuation allowance as those tax benefits are not likely to be realized.
- (6) Pro forma basic net loss per share is computed as if the shares of our common stock were issued and outstanding for the periods presented, assuming a distribution ratio of one share of our common stock for every two shares of LRAD Corporation common stock. The pro forma number of shares is based on the number of shares of LRAD Corporation outstanding for the respective periods presented. The actual number of our basic shares outstanding will not be known until the distribution date. The dilutive effect of stock options for employees was excluded from the calculation of diluted loss per share as the effect would have been antidilutive.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion in conjunction with the financial statements and other financial information included elsewhere in this information statement. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this information statement, particularly in "Risk Factors" and "Special Note About Forward-Looking Statements."

We are a sound technology company focused on delivering directed parametric sound solutions to customers primarily in digital signage, point-of-purchase, in-store networks and related markets that benefit from sound that can be focused and controlled in specified locations. We are currently preparing a new product line and do not expect to report revenues until production quantities are available for sale to customers. There can be no assurance regarding the timing or amount of future revenues from this product line, if any.

Basis of Presentation

Separation from LRAD Corporation

We were incorporated under the laws of the State of Nevada on June 2, 2010 as a wholly-owned subsidiary of LRAD Corporation. We will have no material assets or activities as an independent, stand-alone company until LRAD Corporation contributes to us the business described in this information statement, which is expected to occur immediately prior to the distribution of shares. Following the spin-off, we will be an independent, stand-alone company holding most of LRAD Corporation's HSS business. Prior to the spin-off, we will enter into a Separation Agreement and other ancillary agreements with LRAD Corporation to complete the separation of our business from LRAD Corporation. These agreements will also govern the relationship between us and LRAD Corporation after the distribution and will provide for the allocation of taxes and other liabilities and obligations attributable to periods prior to the distribution. After the spin-off, we expect to operate as an independent, public company. We will not contract with LRAD Corporation for any specific services. However, we and LRAD Corporation will cooperate with respect to certain administrative, manufacturing know-how transfer and other services reasonably necessary to complete the separation following the distribution date. We will enter into a license agreement under which we will exclusively license certain patent pending technology and trade secrets from Syzygy, an entity in which our Chief Executive Officer, Elwood G. Norris is majority owner. We currently anticipate that, initially following the spin-off, our principal source of revenue will be from the sale of products from our new product line. For a summary of the above agreements and the pro forma impact of these agreements on us, please see "*Our Relationship with LRAD Corporation After the Spin-Off*" beginning on page 52 and "*Unaudited Pro Forma Financial Statements*" beginning on page 28.

Our financial statements were prepared on a carve-out basis from LRAD Corporation. The carve-out financial statements include allocated operating expenses of \$954,769 and \$2,081,231 for the years ended September 30, 2009 and 2008, respectively, and \$207,574 and \$549,599 for the six months ended March 31, 2010 and 2009, respectively. The allocations were based on management's estimates of efforts expended on the respective operations of Parametric Sound and LRAD Corporation. For example, the carve-out combined financial statements reflect allocations of employee related costs (including salary, benefits and related overhead) for research and general and administrative services. These allocations were based upon various assumptions and estimates, and actual results may differ from these allocations, assumptions and estimates. However, the carve-out combined financial statements do not reflect additional expenses we expect to incur as an independent, stand-alone company.

Going Concern

Our financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future. Although normal asset impairment adjustments have been made as required by generally accepted accounting principles, the accompanying financial statements do not include any adjustments that would be necessary should we be unable to continue as a going concern and, therefore, be required to liquidate our assets and discharge our liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States, which we refer to as U.S. GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, impairments, warranty liabilities and contingencies. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Some of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition, reserves for uncollectible accounts receivable, warranty liabilities, impairments, contingencies and stock-based compensation. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

Balances and Expenses Assignment and Allocations

The accompanying financial statements include all revenues and cost of revenues directly attributable to the HSS product business. However, in circumstances where costs are shared, management used certain estimates to allocate expenses incurred by LRAD Corporation on behalf of the business included in the financial statements. The most significant expenses are as follows:

- Direct costs of HSS product development, sales and administrative personnel are included along with associated stock-based compensation and allocated employee benefits on a specific identification basis.
- HSS patent amortization costs, including impairments, are included in research and development costs.
- Certain shared administrative salaries and costs including accounting, payroll, human resources, information technology and other services along with legal, auditing and other administrative costs were allocated based on estimates of the proportionate cost incurred by LRAD Corporation related to the Parametric Sound business.
- Other costs including facility and occupancy costs were allocated proportionately based on revenues.

Management believes that the assumptions and methods of allocation used underlying the financial statements are reasonable. However, the costs as allocated to us are not necessarily indicative of the costs we would have incurred if we had operated as a stand-alone entity.

Revenue Recognition and Product Costs

Product revenues reflect amounts received from customers from the sale of HSS products. Product sales to customers, including resellers, are recognized in the periods that products are shipped to customers (FOB shipping point) or received by customers (FOB destination), when the fee is fixed or determinable, when collection of resulting receivables is probable and there are no remaining obligations on our part. Our customers do not have the right to return product unless the product is found to be defective. Product costs include direct manufacturing costs and allocated overhead which require estimates to allocate various costs to product results.

Impairments

Our inventory is comprised of raw materials, assemblies and finished products. We must periodically make judgments and estimates regarding the future utility and carrying value of our inventory. The carrying value of our inventory is periodically reviewed and impairments, if any, are recognized when the expected future benefit from our inventory is less than its carrying value.

Intangible assets consist of patents that are amortized over their estimated useful lives. We must make judgments and estimates regarding the future utility and carrying value of intangible assets. The carrying values of such assets are periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from an individual intangible asset is less than its carrying value.

Stock-based Compensation

We account for share-based compensation in accordance with the provisions of Accounting Standards Codification (ASC) 718, "Compensation—Stock Compensation" requiring the measurement and recognition of compensation expense for all share-based payment awards made to employees based on estimated fair values. ASC 718 requires the use of subjective assumptions, including expected stock price volatility, forfeitures and the estimated term of each award. If actual results differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially impacted.

Warranty Liabilities

We establish a warranty reserve based on anticipated warranty claims at the time product revenue is recognized. This reserve requires us to make estimates regarding the amount and costs of warranty repairs we expect to make over a period of time. Factors affecting warranty reserve levels include the number of units sold, anticipated cost of warranty repairs, and anticipated rates of warranty claims. If actual results differ significantly from our estimates, cost of sales and our results of operations could be materially impacted.

Revenues, Product Costs and Operating Expenses

During the periods presented, most of our revenues and related product costs were for our HSS H450 product. At the separation, LRAD Corporation will finish certain H450 business in process, including the fulfillment of orders received prior to the separation, unsolicited orders received from current customers through December 31, 2010, and any future orders received from Cardinal Health, Inc. through the completion of their current project, and we will not recognize any revenues or costs or liabilities for such sales. Although we own the rights and could produce and sell H450 product in the future, we have no current plans to do so. Our future revenues and costs are expected to be from our new product line. Although we expect former customers of LRAD Corporation's HSS business to be future customers, there can be no assurance thereof. Due to the anticipated changes in our product, past sales and historical margins are not indicative of future results.

Our operating expenses have historically included (a) selling, general and administrative expenses and (b) research and development expenses. Research and development expenses comprise the costs incurred in performing research and development activities on our behalf, including salaries and benefits, facilities expenses, depreciation, overhead expenses, patent amortization, contract services and other outside expenses. As described above, our past expenses required allocations of costs because we were not accounted for as a separate unit of LRAD Corporation. The cost structure of our company after the spin-off will be significantly different than our historical costs. We expect our selling, general and administrative expenses to be lower than in the past due to fewer personnel and our smaller size as a start-up company.

The scope and magnitude of our future research and development expenses are difficult to predict at this time given the changes being made to our planned product line and other management and organizational changes resulting from the spin-off. Again, historical expenditures are not indicative of future expenditures.

Results of Operations

The following is a discussion of the results of our operations for the six months ended March 31, 2010 and 2009 and the years ended September 30, 2009 and 2008.

Comparison of Results of Operations for the Six Months Ended March 31, 2010 and 2009

Revenues

Revenues of HSS products increased \$166,472, or 93%, to \$345,197 in the six months ended March 31, 2010 from \$178,725 in the six months ended March 31, 2009. The sales growth is primarily due to a program with Cardinal Health, Inc. for a kiosk application for in-store pharmacies. Future revenues for this Cardinal Health, Inc. program will continue to be fulfilled by LRAD Corporation.

Gross Profit

Gross profit for the six months ended March 31, 2010 was \$53,701, or 16% of revenues, compared to \$34,115, or 19% of revenues for the six months ended March 31, 2009. The increase in gross margin is primarily due to the increased revenues during the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended March 31, 2010 decreased by \$325,765 to \$152,134, from \$477,899 during the six months ended March 31, 2009. The decrease in expenses is primarily due to \$32,894 of lower salaries and benefits, \$324,581 of lower non-cash share based compensation expense due to stock options becoming fully vested and lower staffing, offset by an increase in allocation for support services due to the increase in sales.

We incurred non-cash share-based compensation expenses allocated to selling, general and administrative expenses in the six months ended March 31, 2010 and 2009 of \$3,604 and \$328,186, respectively.

Research and Development Expenses

Research and development expenses for the six months ended March 31, 2010 decreased by \$16,260 from \$71,700 in the six months ended March 31, 2009 to \$55,440 during the six months ended March 31, 2010. We did not invest any development staff in this product line during these periods. The expenses for research and development pertained to patent amortization expenses and the impairment of patents that were associated with patents that were no longer consistent with our business strategy. We incurred \$14,881 lower patent impairment expense during the six months ended March 31, 2010 compared to the same period for 2009.

Net Loss

Our net loss for the six months ended March 31, 2010 decreased by \$361,611 to \$153,873, compared to a net loss of \$515,484 for the six months ended March 31, 2009. The decreased loss was the result of higher revenues and lower operating expenses.

Comparison of Results of Operations for the Years Ended September 30, 2009 and 2008**Revenues**

Revenues decreased \$136,238, or 18%, to \$607,106 in the year ended September 30, 2009, compared to \$743,344 in the year ended September 30, 2008. Sales decreased to several resellers in Europe, Asia and the U.S., partially offset by an increase in sales to Cardinal Health, Inc. in the year ended September 30, 2009 for a program to install kiosks using HSS speakers in their in-store pharmacies. Future orders for this Cardinal Health, Inc. program will continue to be fulfilled by LRAD Corporation.

Gross Loss

Gross loss for the year ended September 30, 2009 was \$31,657, compared to a gross loss of \$68,501 for the year ended September 30, 2008. The decrease in gross loss is primarily due to a lower reserve for inventory obsolescence and a lower allocation of expenses due to lower revenues in the year ended September 30, 2009 than in the year ended September 30, 2008.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended September 30, 2009 decreased by \$500,678 to \$839,971, from \$1,340,649 during the year ended September 30, 2008. The decrease in expenses is primarily due to \$107,784 of lower salaries and benefits, \$219,657 of lower non-cash share based compensation expense from stock options becoming fully vested and lower staffing, and \$169,996 lower allocated expenses due to an overall reduction in LRAD Corporation spending.

We incurred non-cash share-based compensation expenses allocated to selling, general and administrative expenses in the year ended September 30, 2009 and 2008 of \$444,664 and \$664,321, respectively.

Research and Development Expenses

Research and development expenses for the year ended September 30, 2009 decreased by \$625,784 to \$114,798 from \$740,582 in the year ended September 30, 2008. During the second quarter of fiscal 2008, we significantly reduced our research and development staff supporting the HSS product line. As a result, our year over year expenses decreased by \$302,052 for salaries and benefits, in addition to a decrease of \$131,971 for non-cash share-based compensation expense, \$9,178 for lower patent amortization and \$155,858 for lower patent impairment expense associated with patents that were no longer consistent with our business strategy.

We incurred non-cash share-based compensation expenses in research and development of \$131,971 in the year ended September 30, 2008. There was no similar expense recorded in the year ended September 30, 2009.

Net Loss

Our net loss for the years ended September 30, 2009 and 2008 was \$986,426 and \$2,149,732, respectively. The decrease in the loss was primarily due to lower operating expenses.

Liquidity and Capital Resources

Overview

Historically, our sole source of liquidity has been funding from LRAD Corporation. Following the spin-off, we expect our primary source of liquidity will be the proceeds from our debt financing and any revenue generated from the sale of products after introduction of our new product line.

Capital Requirements

At the separation date, LRAD Corporation will contribute substantially all of its HSS business assets to us, which consists primarily of patents; inventory, which was previously nearly fully reserved for in LRAD Corporation's financial statements; and fully depreciated fixed assets. We will receive no accounts receivable or any cash from LRAD Corporation. Accordingly, our liquidity will be dependent on our debt financing. In the future, we expect to use certain inventory in future production thus reducing our cash production costs on initial production.

Assuming only the \$350,000 minimum debt financing committed by Mr. Norris is funded at the spin-off, we will have limited cash for working capital and will require additional financing. We expect we will require a minimum of \$150,000 in additional capital to maintain planned operations for the first 12 months following the distribution date. We believe that some of these resources may be obtained from selling our new product line to existing and new HSS business customers. There is no assurance we can obtain any required additional debt financing on the terms of the current financing or other terms or that any future debt or equity financing will be available to us. Failure to secure additional financing or to quickly produce and sell our new products could have a material adverse effect on our operations and force us to curtail our planned activities.

Our future capital requirements, cash flows and results of operations could be affected by and will depend on many factors that are currently unknown to us, including:

- the timing of the availability of our new product line for sale to customers;
- the timing and extent of any market acceptance of our products;
- the costs, timing and outcome of planned production and required customer and regulatory compliance of our new products;
- the costs of preparing, filing and prosecuting our patent applications, maintaining and enforcing our issued patents and defending intellectual property-related claims;
- the costs and timing of additional product development;
- the costs, timing and outcome of any future warranty claims or litigation against us associated with any of our products; and
- the timing and costs associated with any new financing.

Cash Flows

Operating Activities

During the six months ended March 31, 2010 and 2009, we reduced our investment from LRAD Corporation from operating activities by \$82,101 and \$24,009. Our investment from LRAD Corporation for the six months ended March 31, 2010 was reduced by \$200,758 from reduced inventory, \$15,054 from lower warranty settlements and \$153 from increased accounts payable. The investment from LRAD Corporation was increased as a result of the net loss of \$153,873, reduced by expenses not requiring the use of cash of \$66,947, \$16,944 increase in accounts receivable and \$29,994 decrease in accrued payroll. Our investment from LRAD Corporation for the six months ended March 31, 2009 decreased by \$24,009 as a result of \$50,760 from lower accounts receivable, \$116,093 from reduced inventory and \$5,580 from increased customer deposit. The investment from LRAD was increased as a result of the net loss of \$515,484, reduced by expenses not requiring the use of cash of \$382,539, \$2,078 for reduced accounts payable and \$13,383 for lower accrued payroll.

Investing Activities

We used cash of \$3,307 and \$1,369 during the six months ended March 31, 2010 and 2009 for investments in patents.

Financing Activities

Financing activities used cash of \$78,794 during the six months ended March 31, 2010, and \$126,456 for the fiscal year ended September 30, 2009 and generated cash of \$577,576 for the fiscal year ended September 30, 2008. All cash and investments are held and managed by LRAD Corporation. Accordingly, cash used to pay our expenses or cash collected from customers by LRAD Corporation on our behalf are recorded as an increase or decrease in the LRAD Corporation net investment (capital deficiency). Other than cash received from customers, LRAD Corporation has funded our research and development expenses. Thus, our financing activities primarily represent the operating expenses funded by LRAD Corporation.

Contractual Obligations

We have no material contractual obligations. We are committed to pay up to a 5% royalty on future product sales to Syzygy for use of their patent pending technology and trade secrets included in the new product line.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, revenues or operating results during the periods presented.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the period ended March 31, 2010, or subsequently thereto, that we believe are of potential significance to our financial statements.

BUSINESS

Overview

We are a sound technology company focused on delivering directed parametric sound solutions to customers primarily in digital signage, point-of-purchase, in-store networks and related markets that benefit from sound that can be focused and controlled in specified locations.

A directed sound solution includes (a) the ability to accept various user media sources as input, typically a computer, a DVD player, radio, television or microphone, and (b) custom processing and control electronics allowing an amplifier to drive speakers (called emitters in parametric sound applications). We intend to continue the pioneering work performed in this field by LRAD Corporation. Since 2004, LRAD Corporation has sold over 11,000 HSS systems, mostly the HSS H450 product model. We plan to replace the H450 model with an improved solution employing improved emitters complemented by new patent-pending processing and control electronics developed by our Chief Executive Officer, Elwood G. Norris, and that will be licensed by us following the distribution. Our prototypes evidence improved sound clarity, wider frequency response and reduced distortion with higher sound volume from less power input. We expect to produce new products at a reduced cost compared to the H450.

We believe improved sound quality produced at reduced cost differentiates us from competitors and opens new market opportunities for directed sound solutions. The existing emitter design has been proven repeatable, and we believe our new processing and control electronics package can be readily assembled by any number of electronic component manufacturers reducing the overall risk of introducing our new generation of products.

History

LRAD Corporation pioneered a new paradigm in sound production based on well-known principles of physics. Parametric or nonlinear acoustics use changing pressures in air to produce sound indirectly by carrying content into the air along ultrasonic frequencies.

Parametric sound technology has gone through various iterations of both emitter designs and amplifier and processing electronics over the last 15 years. Although we consider that LRAD Corporation was a leader in this niche market, we believe the potential for applications of parametric directed sound have not been realized primarily due to limitations of the current product and its relatively high cost compared to sound systems for targeted applications. Further, due to rapid growth in its LRAD business, LRAD Corporation has not focused new resources on its HSS business in part due to its lower product margins and limited market acceptance.

Mr. Norris was the original inventor of LRAD Corporation's HSS technology. In April 2005, he was awarded the \$500,000 Lemelson-MIT Prize for the HSS acoustics innovation. In April 2009, he stepped down as Chairman of LRAD Corporation, in September 2009, he retired from an active role at LRAD Corporation and in June 2010, he resigned as a director to focus on Parametric's business. LRAD Corporation in the last several years has focused most of its financial, technical and marketing resources on its LRAD business that is now driving profitable operations. In January 2010, Mr. Norris began discussions with LRAD Corporation about an HSS license and in the course of due diligence independently invented new processing and control electronics that he believes complements the current emitter design resulting in a new, improved and more economical product. After discussions with LRAD Corporation's Board of Directors, the parties concluded that a spin-off would be the best means of improving HSS technology. Mr. Norris then agreed to take an active role in our company. In April 2010, LRAD Corporation's Board of Directors approved a plan to spin-off the HSS business assets by contributing them to a newly formed subsidiary, Parametric Sound Corporation. The spin-off was approved by LRAD Corporation stockholders on June 2, 2010.

Since January 2010, Mr. Norris has spent significant time evaluating the parametric sound technology, inventing new concepts and testing new processing and control electronics and prototypes along with changes to the emitters to improve sound reproduction. His goal is a directional sound solution more competitive in cost to existing audio systems for targeted applications, but with the benefit of directionality. Mr. Norris has filed for patent protection on these innovations, and the new technology and trade secrets will be licensed through Syzygy, to Parametric Sound (see "*License*" on page 41).

Technology

The common speaker types in use today such as dynamic, electrostatic, ribbon and other transducer-based designs, are direct radiating, and are fundamentally a piston action, directly pumping air molecules into motion to create audible sound waves we hear. Parametric, or nonlinear acoustics, on the other hand, create sound "in the air." Audible sound is generated along an ultrasonic column using frequencies above the normal range of hearing. This parametric sound beam is highly directional and maintains sonic clarity and intelligibility over longer distances than traditional loudspeakers. Our technology is compatible with any media input but beams focused sound where you want it and nowhere else.

Parametric sound employs ultrasonic frequencies to carry content, such as music and voice, into the air. Proprietary ultrasonic emitters, or transducers, which convert electrical energy to high frequency acoustical energy, produce these ultrasonic frequencies beyond the range of hearing. These ultrasonic emitters are used in lieu of loudspeakers to emit a custom-generated ultrasonic wave with the proper difference frequency characteristics to produce audible sound within and throughout a tightly formed beam. Audible sound is not created on the surface of the ultrasonic emitter—a significant departure from a direct radiating loudspeaker. Instead, the audible sound is generated in the air itself and is focused and directed. For example, if the acoustic beam is directed towards a wall, the sound first emanates from the surface of the wall, not from the emitter, as it would be with a conventional loudspeaker. Or, if the acoustic beam is directed to a person, the sound is created at the person. This directionality allows sound to be focused or “beamed” in space or diffused from a surface in a variety of ways to produce desired effects. Also, the sound does not spread at the same rate over distance as it does with traditional speakers. This unique feature provides improved intelligibility at selected distant points with less energy than traditional speakers, creating the ability to communicate directed sound at longer distances.

A typical sound solution for our targeted applications includes (a) inputs to accept a user media source, typically a computer, a DVD player, radio or microphone, and (b) an amplifier and related control electronics to drive speakers. A parametric sound solution includes (a) the ability to accept various user media sources as input, typically a computer, a DVD player, radio, television or microphone, (b) custom processing and control electronics allowing an amplifier to drive emitters and (c) ultrasonic emitters to produce sound in the air. Parametric solutions to date, including those of LRAD Corporation and our competitors, have demonstrated lower sound quality and volume, higher distortion and higher costs than standard sound systems in comparable applications.

LRAD Corporation developed proprietary emitter technology employing custom thin piezo film manufactured pursuant to our formulation. LRAD Corporation’s intellectual property includes the film formulation and methods to reliably produce emitters using this custom film. While we believe the current emitter design and production techniques can be improved over time, the current emitters have proven reliable in the current H450 product and our new processing and control electronics package has been specifically designed to improve the output and performance of the existing emitter technology.

LRAD Corporation’s HSS electronics employed sophisticated digital processing algorithms requiring expensive components. We believe the processing and control electronics invented, designed and developed by Mr. Norris address some of the competitive issues facing this technology. We further believe the new electronics system complements the current emitter and uses less power to generate higher output providing less stress and potential for emitter failure. Our new products are intended to offer customers improved sound quality and higher volume with wider frequency response and reduced distortion while being simpler and more economical to produce.

License

We intend to enter into a license agreement with Syzygy promptly following the distribution Syzygy is an entity in which Mr. Norris is majority owner. Mr. Norris has assigned to Syzygy certain patent pending technology and trade secrets related to a new, improved and more cost-effective method of processing media input to create parametric sound output for parametric emitter devices such as those employed by us. He has also invented improvements to the emitters complementary with the new processing and control electronics. We have agreed to reimburse patent, testing and prototype costs incurred to date (an amount estimated at \$90,000) and to pay future patent related costs. These prior costs include up to a maximum of \$25,000 for Mr. Norris’ time in producing and testing prototypes and preparing for production.

The license will provide for future royalties of 5% of revenues from products employing the technology and a term of 20 years or the life of any resulting patent, whichever is greater. In the event no patent covering the licensed technology is issued after four years, then the royalty rate shall reduce to 3% in any territory until or if a patent is issued for any such territory. We may not sublicense without the permission of Syzygy and sublicense royalty rates are subject to future negotiation in good faith. The license will be entered into only if the distribution is successfully completed and after effectiveness may terminate if we do not use commercially reasonable efforts to pursue the parametric sound business.

Products

The HSS H450 product has a 5 by 10 inch emitter surface and has been produced by LRAD Corporation since 2005. While we will own all rights and certain inventory to continue to build the H450 product, we have no current plans to do so. We have designed a new generation of HSS products and are in early stages of production development for the following two initial products:

HSS-S2150 – a stereophonic system employing two 5 by 10 inch emitters. Unlike the H450, the electronics are separate from the emitters connected by essentially standard speaker wire allowing for a great variety of installations and flexibility to connect to multiple media sources.

HSS-M1150 – is a monaural system from one 5 by 10 inch emitter. Similar to the HSS-S2150, this product features electronics separate from the emitter providing greater installation flexibility.

We expect to develop and introduce additional product models in the future. We also expect to have the flexibility to customize products for individual customers including features such as a wireless interface, performance monitoring and other features.

Strategy

Our goal is to realize the potential of directed sound primarily targeting digital signage, point-of-purchase, in-store networks and related markets and applications. We aim to produce a product line to meet the requirements of these customers. The key elements of our strategy include:

- Produce a product line meeting customer requirements for easy and flexible installation using content from a range of media sources, complementing equipment such as video devices, kiosks and vending machines.
- Develop a turnkey manufacturing relationship to produce our products, thereby reducing a need for manufacturing space and production personnel.
- Develop relationships with customers requiring large numbers of products, including value added resellers (VARs), original equipment manufacturers (OEMs) and distributors that focus on specific end user solutions.

We also plan to explore uses for our technology in the emerging stereoscopic three-dimensional (3D) video market for computers, homes and theaters. The growth of 3D viewing creates opportunities for new 3D sound systems. We intend to explore the use of parametric speakers to reproduce binaural recordings. Binaural recordings use special microphones to capture directional sound information during recording and typically must be replayed through headphones. Parametric speakers reduce loudspeaker cross-talk that interferes with binaural reproduction from conventional stereo speakers. We believe our speakers complement or enhance digital signal processing (DSP) techniques such as ambiophonics that are designed to emulate headphones for binaural sound reproduction from two speakers.

Our research and development strategy is to continue to develop innovative directed acoustic solutions and design new product solutions for our target markets.

Manufacturing and Suppliers

We have substantially completed our electronic design and component selection. We are testing our new electronics system while preparing for initial production. We have employed a professional and experienced industrial design and turnkey product development firm for mechanical and manufacturing design of our product, to produce pilot production models and support manufacturing startup. We expect to employ certain existing emitter parts, molds and manufacturing processes. Our new electronics system consists mostly of off the shelf components fitting into a standard electronics board with traditional input and output connectors.

LRAD Corporation developed custom manufacturing equipment used to automate the production of our emitter sub-assemblies reducing the labor component and permitting higher volume production. We expect to build or have our emitters built by others under contract using this equipment. We plan to have our electronic boards produced by one or more contract manufacturers on a turnkey basis. We plan to purchase molded parts from suppliers and assemble and test final products at our facility or contract others for assembly. We may elect to utilize internal quality control personnel depending on circumstances as they arise.

Our technology is substantially different from proven, mass-produced sound transducer designs, and manufacturing and assembly involves new processes and materials. We believe arranging and maintaining quality manufacturing capacity will be essential to the performance of our products and the growth of our business.

Selling, Marketing and Customers

We intend to sell our products using our executive officers and commissioned agents. We intend to employ one sales employee of LRAD Corporation but do not currently intend to develop an internal sales force but may do so in the future. We also intend to approach value added resellers (VARs) to use our sound solution in their products as well as engage distributors and independent selling representatives. There can be no assurance we can develop adequate distribution through these or other methods.

We intend to initially target the growing direct advertising market including digital signage, point-of-purchase and in-store networks. We believe our sound solution mitigates the effects of sound clutter often attributable to these products. In-store display advertising tends to irritate customers if too intrusive or loud and annoy workers due to repetition. Our products are being designed to achieve focused, controlled sound that targets only those customers situated in specified locations such that nearby customers and store clerks do not hear the message. We believe the ability to focus sound is a driving feature of our sound solution. We believe our technology offers a number of advantages:

- delivery of more effective advertisements to store patrons;
- ability to create a beam of sound and place it only where it is intended;
- ability to manipulate or selectively position or diffuse the source of sound;
- ability to deliver a beam of sound over longer distances than conventional speakers, such as down a grocery store aisle;
- ability to penetrate other competing sounds; and
- elimination of feedback from live microphones.

We expect additional sound applications to become evident as our products become more widely known and accepted. We intend to explore the uses of our speakers in the 3D sound market.

Warranties

We expect to warrant our products to be free from defects in materials and workmanship for a period up to one year from the date of purchase. The warranty will be generally a limited warranty, and in some instances impose certain shipping costs on the customer. We expect in most cases it will be more economical and effective to replace the defective part, whether emitter or electronics, rather than repair, but in the future we may establish repair warranty service directly or through others.

Early versions of LRAD Corporation's HSS products experienced excessive failures and warranty issues. The H450 has been more reliable, and we expect even greater reliability of our new product series because we generate higher sound levels at lower wattage producing less heat and stress on emitters. The new electronics system was designed with the knowledge gained from the H450 results.

Competition

Our technologies and products compete with those of other companies. The consumer, commercial and government audio industry markets are fragmented and competitive and include numerous manufacturers with audio products that vary widely in price, quality and distribution channels. Many of our present and potential future competitors have, or may have, substantially greater resources to devote to further technological and new product developments.

We believe our new product will be the leading parametric sound system with limited direct competition. Companies such as Brown Innovations and others have employed domes and other techniques to try to focus or contain sound for directed sound applications such as point-of-sale. We do not believe these methods are directly competitive to our parametric sound solution in ease of use, cost and performance. Although others have attempted to use parametric speaker concepts or other concepts to produce directed sound, we do not believe they have progressed to directly competitive commercial products as compared to our planned product line. Holosonic Research Labs, Inc. produces a parametric speaker called the Audio Spotlight; Panphonics produces the Sound Shower directional speaker; Sennheiser Electronics has announced a parametric speaker product called the AudioBeam Master; and Mitsubishi has a parametric speaker product sold in Japan. These companies employ electrostatic and piezoelectric emitter devices or other concepts that we believe have lower output and are more expensive than our proprietary emitters, especially when combined with our new electronics system. However, these competitors or others may introduce products with features and performance competitive to our products.

Seasonality

We do not expect to experience any significant seasonality trends. Seasonality trends may occur in the future.

Government Regulation

Our electronic products are subject to various regulations and are required to meet the specifications of agencies such as the Federal Communications Commission (FCC). We believe we will be in substantial compliance with all current applicable regulations, and we expect to have all material governmental permits, licenses, qualifications and approvals required for our operations.

Our parametric sound technology is subject to control under the Radiation Control for Health and Safety Act of 1968, and the associated regulations promulgated by the Food and Drug Administration (FDA), as an electrical emitter of ultrasonic vibrations. Under the terms of such regulations, LRAD Corporation provided an abbreviated report to the FDA describing the technology. The FDA may respond to the report and request changes or safeguards to the technology, but it has not done so to date. We will also be required to notify the FDA in writing should a product be found to have a defect relating to safety of use due to the emission of electronic product radiation. We do not believe our technology poses any human health risks. However, it is possible that we, or one of our customers, could be required to modify the technology, or a product incorporating the technology, to comply with requirements that may be imposed by the FDA.

Our products will be produced to standard product safety requirements for sale in the United States and to similar requirements for sale in Europe and Canada. We expect to meet the electrical and other regulatory requirements for electronic systems or components we sell throughout the world.

Intellectual Property

We have a substantial base of intellectual property assets including patents, pending patents, trademarks and trade craft and trade secrets such as know-how. We operate in an industry where innovations, investment in new ideas and protection of resulting intellectual property rights are important to success. We expect to rely on a variety of intellectual property protections for our products and technologies, including contractual obligations, and we intend to pursue a policy of vigorously enforcing such rights.

LRAD Corporation contributed to us 27 U.S. patents and 3 foreign patents. Our patents expire between 2016 and 2025. However, to maintain such patents we are required to pay periodic maintenance fees with nine patents requiring maintenance fees to be paid yet in 2010. We will evaluate all our patents with respect to our product offerings and determine which to maintain and which to let lapse as they become due for renewal. We have four pending patent applications that we evaluate periodically to determine which, if any, to continue to pursue for issuance. We also believe we own important tradecraft and trade secrets in the design and production of our piezo film ultrasonic emitter.

Mr. Norris, through Syzygy, has filed for patent coverage for the new electronics processing system and emitter improvements that will be exclusively licensed to us following the distribution date. Mr. Norris is an experienced inventor with multiple patents and believes the new system is novel and will result in one or more patents. If we enter into the proposed exclusive license, we will agree to pay for patent related expenses.

In addition to such factors as innovation, technological expertise and experienced personnel, we believe that a strong patent position is important to compete effectively in the sound reproduction industry. We have an ongoing policy of filing patent applications to seek protection for novel features of our products and technologies. Prior to the filing and granting of patents, our policy is to disclose key features to patent counsel and maintain these features as trade secrets prior to product introduction. Patent applications may not result in issued patents covering all important claims and could be denied in their entirety.

The electronics industry is characterized by frequent litigation regarding patent and other intellectual property rights. Others, including academic institutions and competitors, hold numerous patents in electronics and sound reproduction. Although we are not aware of any existing patents that would materially inhibit our ability to commercialize our sound technology; others may assert claims in the future. Such claims, with or without merit, may have a material adverse effect on our financial condition, results of operations or cash flows.

The validity of existing patents has not been adjudicated by any court. Competitors may bring legal action to challenge the validity of our existing or future patents or may attempt to circumvent the protection provided by such patents. The failure to obtain patent protection or the loss of patent protection on our existing and future technologies or the circumvention of our patents by competitors could have a material adverse effect on our ability to compete successfully.

We acquired four U.S. trade names from LRAD Corporation along with additional foreign rights to some of the same names. We intend to file for trade name and trademark protection when appropriate. Trade names or trademarks may not be successfully maintained, defended or protected.

Our policy is to enter into nondisclosure agreements with each employee and consultant or third party to whom any of our proprietary information is disclosed. These agreements prohibit the disclosure of confidential information to others, both during and subsequent to employment or the duration of the working relationship. These agreements may not prevent disclosure of confidential information or provide adequate remedies for any breach.

Employees and Executive Officers

At the distribution date we will have two executive officers, Elwood G. Norris, our President and Chief Executive Officer, and James A. Barnes, Secretary and Treasurer. We have no other employees but intend to employ the current HSS sales employee of LRAD Corporation.

Properties

We expect to lease approximately 4,500 square feet of office, testing, assembly and warehousing space at 1941 Ramrod Avenue, Suite #100, Henderson, Nevada 89014, pursuant to a one year lease at a monthly rate of \$4,000 that will only become an obligation of Parametric Sound at the distribution date. Syzygy has entered into the lease commencing July 1, 2010 for transfer to and use by Parametric Sound upon spin-off. We expect that this property will be sufficient to meet our needs for at least the next 12 months.

MANAGEMENT

Directors and Executive Officers

Set forth below is information concerning those persons that will serve as executive officers and directors of Parametric Sound immediately following the distribution date.

Name	Age	Position(s)
Elwood G. Norris	71	Director, President and Chief Executive Officer
Daniel Hunter	59	Director
James A. Barnes	55	Secretary and Treasurer

After the spin-off, when and as business requires and funds are available, we may hire or appoint additional executive officers. We have no understanding or arrangements regarding any additional executive officers to be appointed on or after the spin-off date.

Elwood G. Norris will serve as a director and as President and Chief Executive Officer following the distribution date. He was a director of LRAD Corporation from August 1980 to June 2010. He served as Chairman of LRAD Corporation's Board of Directors, an executive position, in which he served in a technical advisory role and acted as a product spokesman from September 2000 to April 2009. From 1988 to November 1999, he was a director and Chairman of e.Digital Corporation, a public company engaged in electronic product development, licensing and sales. During that period, he also held various other executive officer positions at e.Digital. From August 1989 to October 1999, he served as director and held various executive officer positions with Patriot Scientific Corporation, a public company engaged in intellectual property licensing. Since 2000, he has been a director of AirScooter Corporation, a non-reporting public company. He is an inventor of more than 50 U.S. patents, primarily in the fields of electrical and acoustical engineering, and is a frequent speaker on innovation to corporations and government organizations. He was the inventor of the HyperSonic Sound (HSS) technology.

Daniel Hunter, will be a director on the distribution date. He was a director of LRAD Corporation from May 2001 to March 2010. Mr. Hunter has been a licensed certified public accountant for the past 34 years. He obtained his accounting degree from the University of Utah in 1973. For the past 29 years, Mr. Hunter has operated his own law offices specializing in business and tax law. He obtained his J.D. from the University of Seattle in 1978.

James A. Barnes will be Secretary and Treasurer on the distribution date. He has been President of Sunrise Capital, Inc., a private venture capital and consulting firm since 1984. He participated in the recapitalization of LRAD Corporation and the founding of e.Digital Corporation, Patriot Scientific Corporation and other technology companies. Since 1999, he has been Manager of Syzygy Licensing LLC, a private technology invention and licensing company owned with Mr. Norris. Since 2000, he has also been a director and Secretary of AirScooter Corporation a non-reporting public company. He previously practiced as a certified public accountant and management consultant with Ernst & Ernst (1976-1977), Touche Ross & Co. (1977-1980) and as a principal in J. McDonald & Co. Ltd., Phoenix, Arizona (1980-1984). He graduated from the University of Nebraska with a B.A. Degree in Business Administration in 1976 and is a certified public accountant. Mr. Barnes is expected to devote only part-time to Parametric Sound.

Key Personnel

We expect to enter into an employment, sales representation or consulting relationship with David Pratt after the distribution. Since August 2003, Mr. Pratt has been Director of Business Development responsible for HSS business and sales development at LRAD Corporation. He has developed contacts and relationships with top audio/video distributors and resellers and nurtured relationships with media companies, advertisers and brand managers, retailers and network service providers throughout the digital signage industry.

Board of Directors

After the spin-off, we expect that Parametric Sound's Board of Directors will consist of two members, one of whom will be an independent director. Each director will hold office, in accordance with the Certificate of Incorporation and Bylaws of Parametric Sound, until the next annual meeting of stockholders and until his or her successor is duly elected and qualified.

Effective as of the spin-off date, Elwood G. Norris and Daniel Hunter will serve as directors of Parametric Sound. We expect that each of Mr. Norris and Mr. Hunter will continue as a director of Parametric Sound, and we have no additional current arrangements regarding any additional directors to be appointed to our Board of Directors on or after the spin-off date.

Director Independence

For a director to be considered "independent," the Board must affirmatively determine that the director has no material relationship with Parametric Sound (directly or as a partner, stockholder or officer of an organization that has a relationship with Parametric Sound). In each case, the Board considers all relevant facts and circumstances.

We expect during 2010 to designate at least one additional director such that at least two of our directors will be independent.

Committees of the Board of Directors

During 2010, we plan to add at least one additional Board member and then we expect our Board of Directors will establish an Audit Committee and a Compensation Committee to assist it with its responsibilities. We expect all members of the Audit and Compensation Committees will meet the criteria for independence as established under the Sarbanes-Oxley Act of 2002. Each of the planned Committees is described in greater detail below. The Board will establish written charters for each of the Committees when formed, which will be available on our web site located at www.parametricsound.com.

Audit Committee

We expect to designate members of our Audit Committee sometime in 2010. The principal duties of the Audit Committee under its written charter will include: (i) responsibilities associated with our external and internal audit staffing and planning; (ii) accounting and financial reporting issues associated with our financial statements and filings with the SEC; (iii) financial and accounting organization and internal controls; (iv) auditor independence and approval of non-audit services; and (v) "whistle-blower" procedures for reporting questionable accounting and audit practices.

The Audit Committee charter will require that the Committee be comprised of at least two directors, each of whom must be independent under the standards of the Sarbanes-Oxley Act of 2002. In addition, each member of the Audit Committee will be financially literate, and at least one member will have sufficient accounting or financial management expertise to qualify as an "audit committee financial expert," as determined by the Board in accordance with SEC rules.

Compensation Committee

We expect to designate members of our Compensation Committee sometime in 2010. The principal duties of the Compensation Committee under its charter will include: (i) ensuring that a succession plan for the Chief Executive Officer is in place; (ii) reviewing management's recommendations for executive officers and making recommendations to the Board of Directors; (iii) approving compensation for the Chief Executive Officer; (iv) reviewing and approving compensation policies and practices for other executive officers including their annual salaries; (v) reviewing and approving major changes in employee benefit plans; (vi) reviewing short and long-term incentive plans and equity grants; (vii) recommending to the full Board changes to the compensation of the independent members of the Board of Directors; and (viii) reviewing the Compensation Discussion and Analysis to be included in our annual report or proxy statement and, if appropriate, issuing its report recommending to the Board of Directors its inclusion of the Compensation Discussion and Analysis in our annual report or proxy statement. The Compensation Committee charter will require that the Committee be comprised of at least two independent directors.

The scope of authority delegated to the Compensation Committee by the Board of Directors is to decide whether or not to accept, reject or modify our management's proposals for annual compensation awards to our executive officers. The Compensation Committee also has the authority to recommend the amount of compensation to be paid to our non-management directors.

DIRECTOR COMPENSATION

We have not yet established arrangements to compensate our directors for their services to us following the separation. However, we expect that compensation for our non-employee directors will be comprised of an annual cash retainer and an equity award in the form of stock option grants.

EXECUTIVE COMPENSATION

Compensation of our Named Executive Officers

We have identified Elwood G. Norris and James A. Barnes as our named executive officers. Our named executive officers for 2010 could change, as we may hire or appoint new executive officers. We will develop our own compensation plans and programs and anticipate that each of our executive officers will be covered by these programs following the spin-off.

An entity controlled by Mr. Norris and Mr. Barnes will receive a royalty as described above in "*Business—License*" in consideration of technology licensed. No other compensation has been determined as of the date hereof. We expect that Mr. Norris and Mr. Barnes may be compensated in their roles as executive officers commencing after the spin-off as determined by our Board of Directors.

Description of the 2010 Stock Option Plan

Promptly following the distribution, Parametric Sound intends to adopt the Parametric Sound Corporation 2010 Stock Option Plan. The following is a description of the purpose and certain of the provisions of our 2010 Stock Option Plan as it will be adopted following the distribution. The summary is qualified in its entirety by reference to the complete text of the 2010 Stock Option Plan, which is filed as an exhibit hereto.

Purpose of the 2010 Stock Option Plan. The purpose of the 2010 Stock Option Plan will be to provide additional incentive to our directors, officers, employees and consultants who will be primarily responsible for our management and growth. Each option will be designated at the time of grant as either a non-qualified stock option (a "NQSO") or an incentive stock option (an "ISO").

The Internal Revenue Code requires that ISOs be granted pursuant to an option plan that receives stockholder approval within one year of its adoption. We may seek shareholder approval of the 2010 Stock Option Plan to permit us to grant ISOs under the 2010 Stock Option Plan. The benefits to be derived from the 2010 Stock Option Plan, if any, are not quantifiable or determinable.

Administration of the 2010 Stock Option Plan. Following its adoption, the 2010 Stock Option Plan will be administered by our Board of Directors, or by any committee that we may in the future form and to which our Board of Directors may delegate the authority to perform such functions (in either case, the "Administrator"). Our Board of Directors will appoint and remove members of the committee in its discretion in accordance with applicable laws. In the event that we establish such a committee and it is required to comply with Rule 16b-3 under the Exchange Act and Section 162(m) of the Code, the committee will, in our Board of Directors' discretion, be comprised solely of "non-employee directors" within the meaning of said Rule 16b-3 and "outside directors" within the meaning of Section 162(m) of the Code. Notwithstanding the foregoing, the Administrator may delegate non-discretionary administrative duties to such Parametric Sound employees as it deems proper and our Board of Directors, in its absolute discretion, may at any time and from time to time exercise any and all rights and duties of the Administrator under the 2010 Stock Option Plan.

Subject to the other provisions of the 2010 Stock Option Plan, the Administrator will have the authority, in its discretion, to: (i) grant options; (ii) determine the fair market value of the common stock subject to options; (iii) determine the exercise price of options granted; (iv) determine the persons to whom, and the time or times at which, options will be granted, and the number of shares subject to each option; (v) interpret the 2010 Stock Option Plan; (vi) prescribe, amend and rescind rules and regulations relating to the 2010 Stock Option Plan; (vii) determine the terms and provisions of each option granted (which need not be identical), including but not limited to, the time or times at which options will be exercisable; (viii) with the consent of the optionee, modify or amend any option; (ix) with the consent of the optionee, defer the exercise date of any option; (x) authorize any person to execute on our behalf any instrument evidencing the grant of an option; and (xi) make all other determinations deemed necessary or advisable for the administration of the 2010 Stock Option Plan. The Administrator may delegate non-discretionary administrative duties to such Parametric Sound employees as it deems proper.

Shares of Stock Subject to the 2010 Stock Option Plan. Subject to the conditions outlined below, following adoption of the 2010 Stock Option Plan, the total number of shares of stock which will be available for issuance under options granted pursuant to the 2010 Stock Option Plan will not exceed 3,000,000 shares of Parametric Sound common stock, \$0.001 par value per share. The number of shares of common stock subject to options granted pursuant to the 2010 Stock Option Plan may be adjusted under certain conditions. If Parametric Sound common stock is changed by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification, appropriate adjustments will be made by our Board of Directors in (i) the number and class of shares of stock subject to the 2010 Stock Option Plan, and (ii) the exercise price of each outstanding option; provided, however, that we will not be required to issue fractional shares as a result of any such adjustments. Each such adjustment will be subject to approval by our Board of Directors in its sole discretion.

In the event of the proposed dissolution or liquidation of Parametric Sound, the Administrator will notify each optionee at least 30 days prior to such proposed action. To the extent not previously exercised, all options will terminate immediately prior to the consummation of such proposed action; provided, however, that the Administrator, in the exercise of its sole discretion, may permit exercise of any options prior to their termination, even if such options were not otherwise exercisable. In the event of a merger or consolidation of Parametric Sound with or into another corporation or entity in which we do not survive, or in the event of a sale of all or substantially all of our assets in which our stockholders receive securities of the acquiring entity or an affiliate thereof, all options will be assumed or equivalent options will be substituted by the successor corporation (or other entity) or a parent or subsidiary of such successor corporation (or other entity); provided, however, that if such successor does not agree to assume the options or to substitute equivalent options therefor, the Administrator, in the exercise of its sole discretion, may permit the exercise of any of the options prior to consummation of such event, even if such options were not otherwise exercisable.

Participation. Every person who at the date of grant of an option is an employee of Parametric Sound or any of our Subsidiaries (as defined below) is eligible to receive NQSOs or ISOs (following stockholder approval of the 2010 Stock Option Plan) under the 2010 Stock Option Plan. Every person who at the date of grant is a consultant to, or non-employee director of, Parametric Sound or any of our Subsidiaries (as defined below) is eligible to receive NQSOs under the 2010 Stock Option Plan. The term "Subsidiary" as used in the 2010 Stock Option Plan means a subsidiary corporation as defined in the applicable provisions (currently Section 424(f)) of the Code. The term "employee" includes an officer or director who is an employee of Parametric Sound. The term "consultant" includes persons employed by, or otherwise affiliated with, a consultant.

Option Price. The exercise price of a NQSO will be not less than 85% of the fair market value of the stock subject to the option on the date of grant. To the extent required by applicable laws, rules and regulations, the exercise price of a NQSO granted to any person who owns, directly or by attribution under the Code (currently Section 424(d)), stock possessing more than 10% of the total combined voting power of all classes of stock of Parametric Sound or any of our Subsidiaries (a "10% Stockholder") will in no event be less than 110% of the fair market value of the stock covered by the option at the time the option is granted. The exercise price of an ISO will be determined in accordance with the applicable provisions of the Code and will in no event be less than the fair market value of the stock covered by the option at the time the option is granted. The exercise price of an ISO granted to any 10% Stockholder will in no event be less than 110% of the fair market value of the stock covered by the option at the time the option is granted.

Term of the Options. The Administrator, in its sole discretion, will fix the term of each option, provided that the maximum term of an option will be ten years. ISOs granted to a 10% Stockholder will expire not more than five years after the date of grant. The 2010 Stock Option Plan provides for the earlier expiration of options in the event of certain terminations of employment of the holder.

Restrictions on Grant and Exercise. Except with the express written approval of the Administrator which approval the Administrator is authorized to give only with respect to NQSOs, no option granted under the 2010 Stock Option Plan will be assignable or otherwise transferable by the optionee except by will or by operation of law. During the life of the optionee, an option will be exercisable only by the optionee.

Termination of the 2010 Stock Option Plan. The 2010 Stock Option Plan will become effective upon adoption by our Board or Directors following the distribution; provided, however, that if stockholder approval of the 2010 Stock Option Plan is not obtained within twelve months after adoption by our Board of Directors, all ISOs granted pursuant to the 2010 Stock Option Plan will be treated as NQSOs. Options may be granted and exercised under the 2010 Stock Option Plan only after there has been compliance with all applicable federal and state securities laws. The 2010 Stock Option Plan will terminate within ten years from the date of its adoption by our Board of Directors.

Termination of Employment. If for any reason other than death or permanent and total disability, an optionee ceases to be employed by Parametric Sounds or any of our Subsidiaries (such event, a "termination"), options held at the date of termination (to the extent then exercisable) may be exercised in whole or in part at any time within three months of the date of such termination, or such other period of not less than 30 days after the date of such termination as is specified in the option Agreement or by amendment thereof (but in no event after the expiration date of the option); provided, however, that if such exercise of the option would result in liability for the optionee under Section 16(b) of the Exchange Act, then such three-month period automatically will be extended until the tenth day following the last date upon which optionee has any liability under Section 16(b) (but in no event after the expiration date). If an optionee dies or becomes permanently and totally disabled (within the meaning of Section 22(e)(3) of the Code) while employed by Parametric Sound or any of our Subsidiaries or within the period that the option remains exercisable after termination, options then held (to the extent then exercisable) may be exercised, in whole or in part, by the optionee, by the optionee's personal representative or by the person to whom the option is transferred by devise or the laws of descent and distribution, at any time within 12 months after the death or 12 months after the permanent and total disability of the optionee or any longer period specified in the option Agreement or by amendment thereof (but in no event after the expiration date). "Employment" includes service as a director or as a consultant. For purposes of the 2010 Stock Option Plan, an optionee's employment will not be deemed to terminate by reason of sick leave, military leave or other leave of absence approved by the Administrator, if the period of any such leave does not exceed 90 days or, if longer, if the optionee's right to re-employment by Parametric Sound or any of our Subsidiaries is guaranteed either contractually or by statute.

Amendments to the 2010 Stock Option Plan. Our Board of Directors may at any time amend, alter, suspend or discontinue the 2010 Stock Option Plan. Without the consent of an optionee, no amendment, alteration, suspension or discontinuance may adversely affect outstanding options except to conform the 2010 Stock Option Plan and ISOs granted under the 2010 Stock Option Plan to the requirements of federal or other tax laws relating to ISOs. No amendment, alteration, suspension or discontinuance will require stockholder approval unless (i) stockholder approval is required to preserve incentive stock option treatment for federal income tax purposes or (ii) our Board of Directors otherwise concludes that stockholder approval is advisable.

Tax Treatment of the Options. Under the Code, neither the grant nor the exercise of an ISO is a taxable event to the optionee (except to the extent an optionee may be subject to alternative minimum tax); rather, the optionee is subject to tax only upon the sale of the common stock acquired upon exercise of the ISO. Upon such a sale, the entire difference between the amount realized upon the sale and the exercise price of the option will be taxable to the optionee. Subject to certain holding period requirements, such difference will be taxed as a capital gain rather than as ordinary income. Optionees who receive NQSOs will be subject to taxation upon exercise of such options on the spread between the fair market value of the common stock on the date of exercise and the exercise price of such options. This spread is treated as ordinary income to the optionee, and we are permitted to deduct as an employee expense a corresponding amount. NQSOs do not give rise to a tax preference item subject to the alternative minimum tax.

Potential Payments Upon Termination, Death, Disability, or Retirement

We have no executive employee contracts at this time. Every officer and employee is an at will employee. The royalties to Syzygy, controlled by Mr. Norris and Mr. Barnes, are unrelated to employment or their roles as executive officers and will continue upon any termination, death, disability or retirement.

SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All of the outstanding shares of our common stock are, and will be, prior to the distribution, held beneficially and of record by LRAD Corporation. The following table sets forth information concerning shares of our common stock projected to be beneficially owned immediately after the distribution date by:

- each person or entity known by us to be the beneficial owner of 5% or more of the outstanding shares of Parametric Sound common stock;
- each person who we currently anticipate will be one of our directors at the time of the distribution;
- each person who we currently anticipate will be one of our named executive officers at the time of the distribution; and
- all persons who we currently anticipate will be our directors and executive officers at the time of the distribution as a group.

The projected share amounts in the table below are based on the number of shares of LRAD Corporation common stock owned by each person or entity on May 31, 2010, as adjusted to reflect the distribution ratio of one share of our common stock for every two shares of LRAD Corporation common stock, or approximately 15,305,728 shares of common stock. To our knowledge, except as otherwise indicated in the footnotes below, each person or entity has sole voting and investment power with respect to the shares of common stock set forth opposite such person's or entity's name. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. Warrants that provide for participation in the distribution that are vested or are scheduled to vest within 60 days are deemed to be outstanding and to be beneficially owned by the persons holding the warrants for the purpose of computing the percentage ownership of the person.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>		<u>Percent of Class</u>
Common Stock	Austin W. Marx and David M. Greenhouse 527 Madison Avenue, Suite 2600 New York, New York 10022	1,992,636	(1)	12.7%
Common Stock	Elwood G. Norris 1941 Ramrod Avenue, Suite #100 Henderson, Nevada 89014	1,976,812	(2)	12.9%
Common Stock	Daniel Hunter 1941 Ramrod Avenue, Suite #100 Henderson, Nevada 89014	95,750	(3)	*
Common Stock	James A. Barnes 1941 Ramrod Avenue, Suite #100 Henderson, Nevada 89014	230,587	(4)	1.5%
	All directors and executive officers as a group (3 persons)	2,303,149		15.0%

- * less than 1%.
- (1) Beneficial joint ownership by Mr. Marxe and Mr. Greenhouse is based on information provided by the stockholder as of February 12, 2010. Consists of 1,598,591 shares and 394,045 shares issuable upon the exercise of warrants exercisable for LRAD Corporation common stock through August 6, 2010 for which Parametric Sound may receive no proceeds. These shares and shares issuable upon exercise of LRAD Corporation warrants are in the following entities: 729,895 shares and 186,233 shares issuable upon exercise of LRAD Corporation warrants owned by Special Situations Fund III QP, L.P., 255,213 shares and 51,282 shares issuable upon exercise of LRAD Corporation warrants owned by Special Situations Private Equity Fund, L.P., 85,019 shares and 21,693 shares issuable upon exercise of LRAD Corporation warrants owned by Special Situations Technology Fund, L.P., and 528,464 shares and 134,837 shares issuable upon exercise of LRAD Corporation warrants owned by Special Situations Technology Fund II, L.P. MGP Advisors Limited Partnership, or MGP, is the general partner of the Special Situations Fund III, L.P. and the Special Situations Fund III QP, L.P. and AWM Investment Company, Inc., or AWM, is the general partner of MGP. SST Advisers, L.L.C., or SSTA, is the general partner of the Special Situations Technology Fund, L.P. and Special Situations Technology Fund II, L.P. MG Advisers, L.L.C., or MG, is the general partner of the Special Situations Private Equity Fund, L.P. AWM is the investment adviser to Special Situations Fund III QP, L.P., Special Situations Technology Fund, L.P., Special Situations Technology Fund II, L.P. and Special Situations Private Equity Fund, L.P. Austin W. Marxe and David M. Greenhouse are the principal owners of MGP, AWM, SSTA and MG, and are principally responsible for the selection, acquisition, voting and disposition of the portfolio securities by each investment adviser on behalf of its fund. Both Messrs. Marxe and Greenhouse share voting and dispositive power with respect to shares held by these stockholders.
- (2) Includes 1,954,315 shares held by a family trust for which Mr. Norris serves as trustee and 22,497 shares held by an investment company controlled by Mr. Norris.
- (3) Includes 3,000 shares held by a personal Individual Retirement Account.
- (4) Includes 12,500 shares held by Sunrise Capital, Inc., 114,837 shares held by Sunrise Management, Inc. Profit Sharing Plan, 102,500 shares held by Palermo Trust, 500 shares by a personal retirement plan and 250 shares by a personal retirement plan of his spouse. Mr. Barnes is President of Sunrise Capital, Inc. and Trustee of Sunrise Management, Inc. Profit Sharing Plan, the Palermo Trust and his personal retirement plan. He disclaims any beneficial interest in the 250 shares held in his spouse's personal retirement plan.

OUR RELATIONSHIP WITH LRAD CORPORATION AFTER THE SPIN-OFF

General

In connection with the spin-off, we and LRAD Corporation will enter into a Separation and Distribution Agreement, which we refer to as the "Separation Agreement," and other ancillary agreements to complete the separation of our business from LRAD Corporation and to distribute our common stock to LRAD Corporation stockholders. These agreements will govern the relationship between us and LRAD Corporation after the distribution and will also provide for the allocation of taxes and other liabilities and obligations attributable to periods prior to the distribution. These agreements will have been prepared before the distribution, and will reflect agreement between affiliated parties established without arms-length negotiation. However, we believe that the terms of this agreement will equitably reflect the benefits and costs of our ongoing relationship with LRAD Corporation.

The expected terms of these agreements, which are subject to change prior to the spin-off, are summarized below. We may enter into other agreements with LRAD Corporation prior to or concurrently with the separation that would relate to other aspects of our relationship with LRAD Corporation following the spin-off. Following the separation, we may enter into other commercial agreements with LRAD Corporation from time to time, the terms of which will be determined at those relevant times.

Copies of these agreements described below are filed as exhibits to our Form 10, of which this information statement is a part. The summaries of the material agreements are qualified in their entirety by reference to the full text of the agreements. We encourage you to read the full text of these material agreements.

Separation and Distribution Agreement

The Separation and Distribution Agreement will set forth the agreement between us and LRAD Corporation with respect to the principal corporate transactions required to effect our separation from LRAD Corporation; the distribution of our shares to LRAD Corporation stockholders; and other agreements governing the relationship between LRAD Corporation and us following the separation. LRAD Corporation will only consummate the spin-off if specified conditions are met. These conditions are intended to include, among others, final approval of the distribution given by the Board of Directors of LRAD Corporation, and the actions and filings necessary or appropriate under Federal and state securities laws and state blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) in connection with the distribution shall have been taken and, where applicable, become effective or accepted.

Even if these conditions are satisfied, other events or circumstances could occur that could impact the timing or terms of the spin-off or LRAD Corporation's ability or plans to consummate the spin-off. As a result of these factors, the spin-off may not occur and, if it does occur, it may not occur on the terms or in the manner described, or in the timeframe currently contemplated.

The Contribution

In connection with the distribution, LRAD Corporation has contributed or will contribute to us certain business assets, as described in this information statement. It will effect this contribution by transferring or assigning assets to us. LRAD Corporation will have no interest in our assets and business and will have no obligation with respect to our liabilities after the distribution. Similarly, we will have no interest in the assets of LRAD Corporation's other business and will have no obligation with respect to the liabilities of LRAD Corporation's retained business after the distribution.

The Distribution

Following the satisfaction or waiver of all conditions to the distribution as set forth in the Separation Agreement, LRAD Corporation will deliver to the distribution agent certificates representing all of the outstanding shares of our common stock. LRAD Corporation will instruct the distribution agent to distribute those shares on _____ or as soon thereafter as practicable, so that each LRAD Corporation stockholder will receive one share of our common stock for every two shares of LRAD Corporation common stock as such stockholder owns as of the record date of the spin-off.

Warrant Proceeds

LRAD Corporation has stock purchase warrants outstanding for the purchase of up to 1,948,204 shares of common stock at \$2.67 per share until August 6, 2010. The terms of these warrants provide should the warrants be exercised after the record date for the spin-off that the holders will be entitled to their pro-rata distribution as if the warrants had been exercised prior to the record date. Accordingly, if all the warrants were to be exercised then we would be required to issue an additional approximate 974,102 shares of our common stock. If LRAD Corporation's stock is trading at or above the exercise price at the time of exercise then LRAD Corporation will retain the exercise proceeds (a maximum of \$5,201,705 if all the warrants are exercised) and we will receive none of the proceeds. If the warrants are exercised when LRAD Corporation's stock is less than the \$2.67 per share exercise price then the difference between the exercise price and LRAD Corporation's market price would be payable to us up to a maximum of \$0.25 per exercised share.

Liabilities and Indemnification

Following the spin-off, we will be liable for all liabilities and obligations relating to arising out of or resulting from ownership or use of our assets as conducted at any time on or after the distribution date or arising out of any legal action that is primarily related to the operation of our business following the distribution and as otherwise set forth in the Separation Agreement.

Following the spin-off, LRAD Corporation will be liable for all liabilities and obligations of LRAD Corporation and its subsidiaries arising, or related to the period, prior to the distribution (including but not limited to product warranty liabilities and returns related to sales prior to the distribution or continued sales for outstanding orders at the distribution date) and as otherwise set forth in the Separation Agreement.

Generally, LRAD Corporation will indemnify us, and we will indemnify LRAD Corporation, for losses related to the failure of the other to pay, perform or otherwise discharge, any of the its liabilities and obligations set forth in the Separation Agreement.

HSS Customers and Business

LRAD Corporation will fulfill any H450 orders that are received through the separation date. LRAD Corporation may thereafter accept and continue to fulfill continuing purchase orders for a current project with Cardinal Health through the completion of such project. LRAD Corporation shall not pursue new H450 or HSS business after the separation date but may accept unsolicited follow-on orders for the H450 product from current customers through December 31, 2010. LRAD Corporation will provide warranty services for its HSS customers through any warranty term. LRAD Corporation may retain completed inventory or parts to produce the necessary units for the Cardinal Health business and for follow-on business and warranty replacements. All other HSS inventory shall be assigned to Parametric Sound at separation and other parts shall be assigned as and when determined unnecessary to meet the above requirements.

Sharing of Manufacturing Tooling and Equipment

Parametric will agree to permit LRAD Corporation to use the manufacturing equipment that is part of the assets contributed by LRAD Corporation to Parametric Sound in the distribution, until December 31, 2010 to manufacture, using components and parts owned by LRAD Corporation, the additional H450 products that LRAD Corporation may require to fulfill orders and warranty obligations as permitted hereunder. In addition to the foregoing, the Separation Agreement contemplates that each of LRAD Corporation and Parametric Sound will cooperate with the other in good faith to provide for the manufacturing needs of such other party.

Expenses

When the Board of Directors of LRAD Corporation conditionally approved the spin-off in April 2010, Mr. Norris agreed to advance third-party fees, costs and expenses in connection with the transaction. Should the transaction not be completed then he and not LRAD Corporation will be responsible for such costs unless LRAD Corporation terminates the spin-off other than for good reason, as defined in the Separation Agreement, whereupon LRAD Corporation will reimburse Mr. Norris. Except as expressly set forth in the Separation Agreement, should the separation be completed then all third-party fees, costs and expenses paid or incurred in connection with the transactions by Mr. Norris, directly or through Syzygy, will be repaid by us at or after the distribution.

Termination

The Separation Agreement will provide that it may be terminated by LRAD Corporation at any time prior to the distribution date.

Services Agreement

In connection with the spin-off, we expect to operate as independent public companies and we do not expect to contract with LRAD Corporation for any specific services. However, we and LRAD Corporation will cooperate with respect to certain administrative, manufacturing know-how transfer and other services reasonably necessary following the distribution date

Employee Benefits

We do not expect more than one possible employee transferring from LRAD Corporation to us. Accordingly, there is no agreement for sharing or continuing any employee benefits between the parties.

Tax Sharing Agreement

In connection with the spin-off, we and LRAD Corporation will enter into a tax sharing agreement, which sets forth the responsibilities of LRAD Corporation and us with respect to, among other things, liabilities for federal, state, local and foreign taxes for periods before and including the spin-off, the preparation and filing of tax returns for such periods and disputes with taxing authorities regarding taxes for such periods. LRAD Corporation will be generally responsible for federal, state, local and foreign income taxes for periods before and including the spin-off. We will be generally responsible for all other taxes relating to our business. We and LRAD Corporation will each generally be responsible for managing those disputes that relate to the taxes for which each of us is responsible and, under certain circumstances, may jointly control any dispute relating to taxes for which both of us are responsible.

Dispute Resolution

The Separation Agreement will contain provisions that govern the resolution of disputes, controversies or claims that may arise between us and LRAD Corporation. In the event of any dispute or disagreement between us and LRAD Corporation as to the interpretation of any provision of the Separation Agreement (or the performance of obligations hereunder), we and LRAD Corporation will promptly meet in a good faith effort to resolve the dispute. If the officers do not agree upon a decision within 30 days after reference of the matter to them, each of the parties will submit any controversy, dispute or claim arising out of or relating in any way to the Separation Agreement or the transactions arising hereunder for arbitration in San Diego, California, and such arbitration shall be the sole remedy for such monetary claims. The fees and expenses of the arbitrator(s) will be shared equally by us and LRAD Corporation.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Elwood G. Norris resigned as a director of LRAD Corporation on June 4, 2010 and will serve as our President and Chief Executive Officer at the distribution date. Daniel Hunter, a director of LRAD Corporation from May 2001 to March 2010, will serve as a director of our company.

On June 4, 2010, LRAD Corporation entered into a consulting agreement with Mr. Norris, whereby LRAD Corporation will pay Mr. Norris \$5,000 per quarter in exchange for business, management and advisory services which may be requested from time to time. The term of this agreement shall extend through May 31, 2012. LRAD Corporation was previously obligated to pay Mr. Norris a 2% royalty on net sales from certain of its technologies, including HSS. The royalty obligation discontinued in October 2008 under the terms of Mr. Norris' amended employment agreement dated November 5, 2008. No royalties were paid or recorded under this agreement in the fiscal years ended September 30, 2009, 2008 or 2007, as these royalties were immaterial and were waived by Mr. Norris. The amounts of the royalties waived were \$0, \$14,266 and \$26,112 for the years ended September 30, 2009, 2008 and 2007, respectively.

Following the distribution, we intend to enter into a license agreement with Syzygy. Mr. Norris is majority owner and Mr. Barnes is manager and a minority owner. Mr. Norris has assigned to Syzygy certain patent pending technology and trade secrets related to a new, improved and more cost-effective method of processing media input to create parametric sound output for parametric emitter devices such as those employed by us. He has also invented improvements to the emitters complementary with the new processing and control electronics. We have agreed to reimburse patent, testing and prototype costs incurred to date (an amount estimated at \$90,000) and to pay future patent related costs. These prior costs include up to a maximum of \$25,000 for Mr. Norris' time in producing and testing prototypes and preparing for production.

The license will provide for future royalties of not more than 5% of revenues from products employing the technology. The term of the license will extend for a period of 20 years or the life of any resulting patent, whichever is greater. We will enter into the license only following the distribution. Thereafter, the license will revert to the licensor if we do not use commercially reasonable efforts to pursue the parametric sound business.

James A. Barnes owns 35% of Syzygy and as its managing member may also be considered a promoter as he was active with Mr. Norris in initiating the spin-off transaction and organizing our company. The consulting costs associated with the spin-off being reimbursed to Syzygy include \$25,000 payable to Sunrise Capital, Inc. for the services of Mr. Barnes to the distribution date.

For a list of LRAD Corporation's fiscal 2009 related person transactions, please see LRAD Corporation's 2010 Proxy Statement, filed with the SEC on January 25, 2010.

LEGAL PROCEEDINGS

We are not aware of any pending or threatened legal proceedings in which we are involved. In addition, we are not aware of any pending or threatened legal proceedings in which entities affiliated with our officers, directors or beneficial owners are involved with respect to our operations.

DESCRIPTION OF OUR CAPITAL STOCK

Upon the completion of the spin-off, we will be authorized to issue 50,000,000 shares of our common stock, \$0.001 par value per share, and 1,000,000 shares of preferred stock, \$0.001 par value per share. The following description of our capital stock is subject to and qualified in its entirety by our Certificate of Incorporation and Bylaws, which are included as exhibits to the registration statement on Form 10 of which this information statement is a part, and by the provisions of applicable Nevada law.

Authorized and Outstanding Capital Stock

Immediately following the spin-off, our authorized capital stock will consist of 50,000,000 shares of common stock, par value \$0.001 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share. Based on the approximately 30,611,456 shares of LRAD Corporation common stock that we expect to be outstanding on the record date, and a distribution ratio of one share of our common stock for every two shares of LRAD Corporation common stock, we will have approximately 15,305,728 shares of common stock outstanding immediately following the spin-off. We will have no shares of preferred stock outstanding immediately following the spin-off. The actual number of shares to be distributed will be determined on the record date.

Common Stock

Before the spin-off, there were 100 shares of our common stock outstanding, all of which were held of record by LRAD Corporation and will be cancelled after the spin-off. The holders of our common stock are entitled to one vote per share on all matters to be voted upon by our stockholders. Subject to preferences that may be applicable to any future outstanding preferred stock, the holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our Board of Directors out of funds legally available for that purpose. See “*Dividend Policy*” on page 27. In the event of our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of our common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

Our Board of Directors has the authority, without action by our stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of our common stock. It is not possible to state the actual effect of the issuance of any shares of our preferred stock upon the rights of holders of our common stock until our Board of Directors determines the specific rights of the holders of our preferred stock. However, the effects might include, among other things:

- restricting dividends on our common stock;
- diluting the voting power of our common stock;
- impairing the liquidation rights of our common stock; or
- delaying or preventing a change in control of our company without further action by our stockholders.

At the closing of the spin-off, no shares of our preferred stock will be outstanding, and we have no present plans to issue any shares of our preferred stock.

Authorized but Unissued Capital Stock

Nevada law does not require stockholder approval for any issuance of authorized shares. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions. One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our Board of Directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Certificate of Incorporation; Bylaws

Our certificate of incorporation and bylaws contain provisions that could make more difficult the acquisition of Parametric Sound by means of a tender offer, a proxy contest or otherwise. These provisions are summarized below.

Undesignated Preferred Stock. The authorization of our undesignated preferred stock makes it possible for our Board of Directors to issue our preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes of control of our management.

Size of Board and Vacancies. Newly created directorships resulting from any increase in our authorized number of directors or any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholder vote, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors.

No Cumulative Voting. Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors.

Stockholder Meetings. Our bylaws provide that special meetings of the stockholders may be called only by our chairman, our chief executive officer or at the direction of our Board of Directors.

Nevada Laws

The Nevada Business Corporation Law contains a provision governing “*Acquisition of Controlling Interest.*” This law provides generally that any person or entity that acquires 20% or more of the outstanding voting shares of a publicly-held Nevada corporation in the secondary public or private market may be denied voting rights with respect to the acquired shares, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights in whole or in part. The control share acquisition act provides that a person or entity acquires “*control shares*” whenever it acquires shares that, but for the operation of the control share acquisition act, would bring its voting power within any of the following three ranges: (1) 20 to 33 1/3%, (2) 33 1/3 to 50%, or (3) more than 50%. A “*control share acquisition*” is generally defined as the direct or indirect acquisition of either ownership or voting power associated with issued and outstanding control shares. The stockholders or Board of Directors of a corporation may elect to exempt the stock of the corporation from the provisions of the control share acquisition act through adoption of a provision to that effect in the articles of incorporation or bylaws of the corporation. Our articles of incorporation and bylaws do not exempt our common stock from the control share acquisition act. The control share acquisition act is applicable only to shares of “*Issuing Corporations*” as defined by the act. An Issuing Corporation is a Nevada corporation, which; (1) has 200 or more stockholders, with at least 100 of such stockholders being both stockholders of record and residents of Nevada; and (2) does business in Nevada directly or through an affiliated corporation.

At this time, we do not believe we have 100 stockholders of record resident of Nevada. Therefore, the provisions of the control share acquisition act do not apply to acquisitions of our shares and will not until such time as these requirements have been met. At such time as they may apply to us, the provisions of the control share acquisition act may discourage companies or persons interested in acquiring a significant interest in or control of our company, regardless of whether such acquisition may be in the interest of our stockholders.

The Nevada “*Combination with Interested Stockholders Statute*” may also have an effect of delaying or making it more difficult to effect a change in control of our company. This statute prevents an “*interested stockholder*” and a resident domestic Nevada corporation from entering into a “*combination*,” unless certain conditions are met. The statute defines “*combination*” to include any merger or consolidation with an “*interested stockholder*,” or any sale, lease, exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions with an “*interested stockholder*” having: (1) an aggregate market value equal to 5 percent or more of the aggregate market value of the assets of the corporation; (2) an aggregate market value equal to 5 percent or more of the aggregate market value of all outstanding shares of the corporation; or (3) representing 10 percent or more of the earning power or net income of the corporation. An “*interested stockholder*” means the beneficial owner of 10 percent or more of the voting shares of a resident domestic corporation, or an affiliate or associate thereof. A corporation affected by the statute may not engage in a “*combination*” within three years after the interested stockholder acquires its shares unless the combination or purchase is approved by the Board of Directors before the interested stockholder acquired such shares. If approval is not obtained, then after the expiration of the three-year period, the business combination may be consummated with the approval of the Board of Directors or a majority of the voting power held by disinterested stockholders, or if the consideration to be paid by the interested stockholder is at least equal to the highest of: (1) the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which he became an interested stockholder, whichever is higher; (2) the market value per common share on the date of announcement of the combination or the date the interested stockholder acquired the shares, whichever is higher; or (3) if higher for the holders of preferred stock, the highest liquidation value of the preferred stock.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our officers and directors are indemnified as to personal liability as provided by the Nevada Revised Statutes (“NRS”), our articles of incorporation and our bylaws. Section 78.7502 of the NRS provides that a corporation may eliminate personal liability of an officer or director to the corporation or its stockholders for breach of fiduciary duty as an officer or director provided that such indemnification is limited if such party acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the corporation.

Our articles of incorporation and our bylaws state that we shall indemnify our directors and officers to the fullest extent not prohibited by the NRS. Except under limited circumstances, our bylaws provide that we will advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, prior to the final disposition of the proceeding, promptly following request therefore, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified. In addition, to the fullest extent permitted by the NRS, we may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to our bylaws.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of a small business issuer pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against these types of liabilities, other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by a director, officer or controlling person in connection with the securities being registered, we will submit the question of whether indemnification by us is against public policy to an appropriate court and will be governed by the final adjudication of the case.

DESCRIPTION OF INDEBTEDNESS

We expect to fund a minimum of \$350,000 and a maximum of \$750,000 of subordinated note financing with accompanying stock purchase warrants at the distribution date. We have nonbinding indications of interest for \$650,000 and Mr. Norris has committed that at least \$350,000 will be funded at the distribution date through conversion of amounts owed to Syzygy and additional cash on the same terms as other investors. The proceeds of this financing are intended to fund the spin-off and related costs described above and provide initial working capital to start the process of bringing our new product line to production. After payment of incurred costs, we expect to have approximately \$105,000 for working capital at the distribution date assuming the minimum financing of \$350,000.

Our indebtedness is expected to consist of 8% subordinated notes due on or before _____, 2011, one year after the distribution date. We are obligated to issue warrants to purchase between 700,000 and 1,500,000 shares of our common stock in connection with this financing. See "*Capitalization and Financing*" on page 27.

We expect that we will need to refinance this debt and/or arrange additional debt or equity or equity-based financing in the first 12 months after the distribution date. Management has not yet determined the amounts required in future financings, which will depend in part on the time required to bring the new product line to production and customer acceptance of the new product. There is no assurance we will be successful in arranging financing for our company or the terms of any such financing. Any future financing could be dilutive to existing Parametric Sound stockholders. See "*Risk Factors*" beginning on page 11.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form 10 with respect to the shares of our common stock to be received by the stockholders of LRAD Corporation in the spin-off. This information statement does not contain all of the information set forth in the Form 10 registration statement and the exhibits to the Form 10 registration statement. For further information with respect to Parametric Sound and the shares of our common stock, reference is hereby made to the Form 10 registration statement, including its exhibits. Statements made in this information statement relating to the contents of any contract, agreement or other documents are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document, with each such statement being qualified in all respects by reference to the document to which it refers. You may review a copy of the Form 10 registration statement, including its exhibits, at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain further information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, copies of the Form 10 registration statement and related documents may be obtained through the SEC Internet address at <http://www.sec.gov>.

As a result of the spin-off, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, will file reports, proxy statements and other information with the SEC. After the spin-off, these reports, proxy statements and other information may be inspected and copied at the public reference facilities of the SEC listed above. You also will be able to obtain copies of this material from the public reference facilities of the SEC as described above, or inspect them without charge at the SEC's web site.

In addition, we intend to furnish holders of our common stock with annual reports containing consolidated financial statements audited by an independent accounting firm.

Parametric Sound Corporation
(A Component of LRAD Corporation)
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of LRAD Corporation:

We have audited the accompanying balance sheets of Parametric Sound Corporation (a component of LRAD Corporation) as of September 30, 2009 and 2008, and the related statements of operations, changes in LRAD Corporation net investment and cash flows for each of the years then ended. These financial statements are the responsibility of the management of LRAD Corporation. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Parametric Sound Corporation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parametric Sound Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Parametric Sound Corporation (a component of LRAD Corporation) as of September 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Parametric Sound Corporation (a component of LRAD Corporation) will continue as a going concern. As discussed in Note 1 to the financial statements, Parametric Sound Corporation has incurred significant recurring net losses through September 30, 2009 and 2008 and will require new financing. These factors raise substantial doubt about Parametric Sound Corporation's ability to continue as a going concern. Management's plans as to these matters are described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

San Diego, California
June 23, 2010

Parametric Sound Corporation
(A Component of LRAD Corporation)
Balance Sheets

	September 30,	
	2009	2008
ASSETS		
Current assets:		
Accounts receivable, less allowance of \$222,864 and \$225,403 for doubtful accounts	\$ 29,910	\$ 69,677
Inventories, net	422,457	954,792
Total current assets	452,367	1,024,469
Equipment and tooling, net	-	1,134
Patents, net	553,645	637,856
Total assets	\$ 1,006,012	\$ 1,663,460
LIABILITIES AND LRAD CORPORATION NET INVESTMENT		
Current liabilities:		
Accounts payable	\$ 4,662	\$ 9,888
Accrued liabilities	78,146	65,378
Total current liabilities	82,808	75,266
Commitments and contingencies		
LRAD Corporation, net investment	923,204	1,588,193
Total liabilities and LRAD Corporation net investment	\$ 1,006,012	\$ 1,663,459

See accompanying notes to financial statements

Parametric Sound Corporation
(A Component of LRAD Corporation)
Statements of Operations

	Years Ended September 30,	
	2009	2008
Revenues:		
Product sales	\$ 586,693	\$ 713,294
Other revenue	20,413	30,050
Total revenues	607,106	743,344
Cost of revenues	638,763	811,845
Gross loss	(31,657)	(68,501)
Operating expenses:		
Selling, general and administrative	839,971	1,340,649
Research and development	114,798	740,582
Total operating expenses	954,769	2,081,231
Loss from operations	(986,426)	(2,149,732)
Net loss	\$ (986,426)	\$ (2,149,732)

See accompanying notes to financial statements

Parametric Sound Corporation
(A Component of LRAD Corporation)
Statements of Changes in LRAD Corporation Net Investment

Balance at September 30, 2007	\$	2,362,545
Net loss for the year		(2,149,732)
Net transfers from parent		1,375,380
Balance at September 30, 2008	\$	1,588,193
Net loss for the year		(986,426)
Net transfers from parent		321,437
Balance at September 30, 2009	\$	<u>923,204</u>

See accompanying notes to financial statements

Parametric Sound Corporation
(A Component of LRAD Corporation)
Statements of Cash Flows

	Years Ended September 30,	
	2009	2008
Increase (Decrease) in Cash and Cash Equivalents:		
Operating Activities:		
Net loss	\$ (986,426)	\$ (2,149,732)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	69,620	113,215
Provision for doubtful accounts	(2,538)	704
Warranty provision	(5,437)	(23,904)
Inventory obsolescence	69,079	106,548
Share-based compensation	447,893	797,805
Loss on impairment of patents	46,312	202,170
Changes in assets and liabilities:		
Accounts receivable	42,305	42,612
Inventories	463,256	526,679
Accounts payable	(5,226)	(85,815)
Warranty settlements	(929)	(5,598)
Accrued liability	19,134	14,124
Net cash provided by (used in) operating activities	157,043	(461,192)
Investing Activities:		
Patent costs paid	(30,587)	(116,384)
Net cash used in investing activities	(30,587)	(116,384)
Financing Activities:		
Net change in investment from LRAD Corporation	(126,456)	577,576
Net cash provided by (used in) financing activities	(126,456)	577,576
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -

See accompanying notes to financial statements

PARAMETRIC SOUND CORPORATION
(A COMPONENT OF LRAD CORPORATION)
NOTES TO AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 1—DESCRIPTION OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

In April 2010, the board of directors of LRAD Corporation ("LRAD") approved a plan to separate its HyperSonic Sound ("HSS") product line into a new independent, stand-alone company. In a special meeting of stockholders held June 2, 2010, the proposal to separate the HSS business from LRAD was approved, and on June 2, 2010, LRAD created a new wholly owned subsidiary, hereinafter referred to as Parametric Sound Corporation ("Parametric Sound" or the "Company"), into which the HSS business and substantially all of the assets of the business and associated intellectual property rights were contributed. The spin-off will separate the Parametric Sound subsidiary from LRAD Corporation. Consummation of the spin-off is subject to certain conditions, including final approval by the LRAD board of directors, and the effectiveness of the registration statement filed with the Securities and Exchange Commission. Following the spin-off, each holder of LRAD Corporation common stock will receive a dividend of one share of Parametric Sound common stock for every two shares of LRAD Corporation common stock held on the record date. LRAD Corporation will continue to operate its existing LRAD and SoundSaber businesses, excluding the HSS business to be held by Parametric Sound.

The HSS product utilizes a proprietary parametric speaker technology that generates sound along an air column using ultrasonic frequencies above the normal range of hearing. HSS products are compatible with standard media players and the highly directional sound beam localizes or shines sound where intended by users. The Company's product offering consists primarily of the HSS 450 sound system with principal markets being North America, Europe and Asia.

Basis of Accounting

These financial statements include the assets, liabilities and results of operations of the component of LRAD Corporation that constitutes the HSS business to be separated. These financial statements are prepared as if Parametric Sound existed and owned this business in all periods presented, and have been prepared using LRAD Corporation's historical cost basis of assets and liabilities. Historically, the HSS business in LRAD Corporation operated as a product line and not a separate segment and not as an independent stand-alone business. For each of the periods presented, Parametric Sound was fully integrated with LRAD Corporation, including production, product development, accounting, finance, treasury, payroll, legal services and investor relations.

The accompanying financial statements include all revenues and cost of revenues directly attributable to the HSS business. However, in circumstances where costs are shared, management used certain estimates to allocate expenses incurred by LRAD Corporation on behalf of the business included in the financial statements. The most significant expenses are as follows:

- Direct costs of HSS research and development, sales and administrative personnel are included along with associated stock-based compensation and allocated employee benefits on a specific identification basis.
- HSS patent amortization costs, including impairments, are included in research and development costs.
- Certain shared administrative salaries and costs including accounting, payroll, human resources, information technology and other services along with legal, auditing and other administrative costs were allocated based on estimates of the proportionate cost incurred by LRAD Corporation related to Parametric Sound.
- Other costs including facility and occupancy costs were allocated proportionately based on revenues.

Management believes that the assumptions and methods of allocation used underlying the financial statements are reasonable. However, the costs as allocated to the Company are not necessarily indicative of the costs that would have been incurred if the Company operated as a stand-alone entity. Therefore, the financial statements included herein may not necessarily be indicative of the financial position, results of operations, changes in stockholders' equity and cash flows of the Company to be expected in the future or what they would have been had the Company been a separate stand-alone entity during the periods presented.

All cash balances are retained and considered those of LRAD Corporation consistent with the planned spin-off.

PARAMETRIC SOUND CORPORATION
(A COMPONENT OF LRAD CORPORATION)
NOTES TO AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future. Parametric Sound had substantial net losses of \$986,426 and \$2,149,732 for the years ended September 30, 2009 and 2008, respectively and the Company had no sources of financing except for that provided by LRAD Corporation. At separation, LRAD Corporation is retaining all cash and accounts receivable and the Company will be reliant on obtaining new debt or equity financing sufficient to sustain operations until profitability can be achieved. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's plans for raising initial required financing include the issuance of subordinated promissory notes in the amount of \$350,000 - \$750,000. Of this amount, the Company's Chairman and Chief Executive Officer has agreed to, at a minimum guarantee that at least \$350,000 is funded through the conversion of amounts owed by the Company to Syzygy (see Note 10) and additional cash on the same terms as other investors in the subordinated promissory note financing. There is no assurance that Parametric Sound will be successful in raising sufficient funds to sustain its operations for twelve months or beyond.

The continuation of the Company as a going concern is dependent on its ability to develop revenues and to obtain financing from outside sources. Should the Company be unable to obtain required financing, it may have to curtail operations, which may have a material adverse effect on its financial position and results of operations. The accompanying financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions (e.g., reserves for accounts receivable and inventory, valuation of patents and warranty reserves) that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of accounts receivables, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments.

Accounts Receivable and Allowance for Doubtful Accounts

The Company carries its accounts receivable at their face amounts, less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts for estimated losses considering the following factors when determining if collection of a receivable is reasonably assured: customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment terms. If the Company has no previous experience with the customer, the Company may obtain reports from various credit organizations to ensure that the customer has a history of paying its creditors. The Company may also request financial information to ensure that the customer has the means of making payment. If these factors do not indicate collection is reasonably assured, revenue is deferred until collection becomes reasonably assured, which is generally upon receipt of cash. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The Company determines allowances on a case-by-case basis.

PARAMETRIC SOUND CORPORATION
(A COMPONENT OF LRAD CORPORATION)
NOTES TO AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Contract Manufacturers

The Company employs contract manufacturers for production of certain components and sub-assemblies. The Company may provide parts and components to such parties from time to time but recognizes no revenue or markup on such transactions. The Company performs assembly of products in-house using components and sub-assemblies from a variety of contract manufacturers and suppliers.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Inventory is comprised of raw materials, assemblies and finished products intended for sale to customers. The Company periodically makes judgments and estimates regarding the future utility and carrying value of inventory. The carrying value of inventory is periodically reviewed and impairments, if any, are recognized when the expected future benefit is less than carrying value. The Company has inventory reserves for estimated obsolescence or unmarketable inventory which is equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. The Company increased its inventory reserve by \$69,079 and \$106,548 during the years ended September 30, 2009 and 2008, respectively, for excess HSS components.

Equipment and Depreciation

Equipment is stated at cost. Depreciation on machinery and equipment is computed over the estimated useful lives of three to five years using the straight-line method. Upon retirement or disposition of equipment, the related cost and accumulated depreciation or amortization is removed and a gain or loss is recorded.

Intangibles

Patents and trademarks are carried at cost and are amortized over their estimated useful lives, which have been estimated to be 15 years. The carrying value of intangibles is periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from an individual intangible asset is less than its carrying value. The Company wrote off \$46,312 and \$202,170, of previously capitalized patent costs during the years ended September 30, 2009 and 2008, respectively.

Revenue Recognition

The Company derives its revenue primarily from product sales. Product sales are recognized in the periods that products are shipped to customers (FOB shipping point) or when product is received by the customer (FOB destination), when the fee is fixed and determinable, when collection of resulting receivables is probable and there are no remaining obligations on the part of the Company.

Shipping and Handling Costs

Shipping and handling costs are included in cost of revenues. The amount of shipping and handling costs invoiced to customers is included in revenue. Estimated shipping and handling costs were \$25,540 and \$35,706 for the fiscal years ended September 30, 2009 and 2008, respectively.

Research and Development Costs

Research and development costs are expensed as incurred.

Warranty Reserves

The Company warrants its products to be free from defects in materials and workmanship for a period of one year from the date of purchase. The warranty is generally a limited warranty. The Company currently provides direct warranty service.

The Company establishes a warranty reserve based on anticipated warranty claims at the time revenue from product sales is recognized. Factors affecting warranty reserve levels include the number of units sold and anticipated cost of warranty repairs and anticipated rates of warranty claims. The Company evaluates the adequacy of the provision for warranty costs each reporting period. See Note 6 for additional information regarding warranties.

PARAMETRIC SOUND CORPORATION
(A COMPONENT OF LRAD CORPORATION)
NOTES TO AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Income Taxes

The Company accounts for its income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between financial statement and tax basis of assets and liabilities and net operating loss and credit carry-forwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when it is more likely than not that some portion of the deferred tax assets will not be realized.

The Company was not a separate legal entity and, therefore, was not subject to taxation by federal and state authorities for the periods presented; however, the income tax benefit would have been nil in the accompanying financial statements if the Company was filing a separate return. The historical net operating loss carryforwards and tax credits generated by Parametric Sound will remain with LRAD Corporation subsequent to the separation.

Earnings Per Share

Common stock and stock equivalents represent ownership in the parent LRAD Corporation. As Parametric Sound has no common stock or stock equivalents issued or outstanding, there is no earnings per share calculation included in the Parametric Sound financial statements.

Comprehensive Loss

Comprehensive loss consists of net loss and other gains and losses affecting stockholders' equity that under US generally accepted accounting principles are excluded from reported net loss. There were no differences between net loss and comprehensive loss for any of the periods presented.

Impairment of Long-Lived Assets

Long-lived assets and identifiable intangibles held for use are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of undiscounted expected future cash flows is less than the carrying amount of the asset or if changes in facts and circumstances indicate, an impairment loss is recognized and measured using the asset's fair value.

Share-Based Compensation

The Company recognized share-based compensation expense related to stock options issued to employees over the vesting term of the stock-based instrument based on the grant date fair value.

Recent Accounting Pronouncements

In June 2009, through the issuance of Financial Accounting Standards Board (FASB) Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (the ASC or Codification), there became a single official source of authoritative generally accepted accounting principles in the United States (US GAAP), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force (EITF), and related literature. There is now only one level of authoritative US GAAP. All other literature will be considered non-authoritative. The Codification does not change US GAAP; instead, it introduces a new structure that is organized in an easily accessible, user-friendly online research system. The Codification is effective for interim and annual periods ending on or after September 15, 2009. The Company applied the Codification beginning in the fourth quarter of fiscal 2009. The adoption of the Codification did not have an effect on the Company's consolidated financial statements. This new standard is now codified under ASC 105, "Generally Accepted Accounting Principles." In circumstances where revisions or updates to existing standards are required, the FASB will issue an Accounting Standards Update (ASU) on the ASC topic. All of the Company's financial statement disclosures have been updated in accordance with the Codification. SEC pronouncements are still authoritative for public companies.

PARAMETRIC SOUND CORPORATION
(A COMPONENT OF LRAD CORPORATION)
NOTES TO AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Effective April 1, 2009, the Company adopted three accounting standard updates that were intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities established in ASC 820, "Fair Value Measurements and Disclosures" (formerly SFAS 157). They also provide additional guidelines for estimating fair value in accordance with fair value accounting. The first update, as codified in ASC 820-10-65, "Fair Value Measurements and Disclosures" (formerly SFAS 157-2), provides additional guidelines for estimating fair value in accordance with fair value accounting. The second accounting update, as codified in ASC 320-10-65, "Debt and Equity Securities" (formerly FSP FAS 115-2 and FAS 124-2), changes accounting requirements for other-than-temporary-impairment for debt securities by replacing the current requirement that a holder have the positive intent and ability to hold an impaired security to recovery in order to conclude an impairment was temporary with a requirement that an entity conclude it does not intend to sell an impaired security and it will not be required to sell the security before the recovery of its amortized cost basis. The third accounting update, as codified in ASC 825-10-65, "Financial Instruments" (formerly FSP FAS No. 107-1 and APB 28-1), increases the frequency of fair value disclosures. These updates were effective for fiscal years and interim periods ended after June 15, 2009. The adoption of these accounting updates did not have any impact on the Company's consolidated financial statements.

In February 2008, the FASB issued guidance, as codified in ASC 820-10, "Fair Value Measurements and Disclosures", that delayed the effective date of fair value measurements accounting for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the first quarter of fiscal 2010. These include goodwill and other non-amortizable intangible assets. The Company adopted this guidance effective October 1, 2008. The adoption of this update to non-financial assets and liabilities did not have any impact on the Company's consolidated financial statements.

In April 2008, the Financial Accounting Standards Board ("FASB") issued authoritative guidance, as codified in ASC 350-30, "Goodwill and other; General Intangibles Other Than Goodwill" (formerly FSP SFAS 142-3). This guidance provides factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This guidance also requires expanded disclosure related to the determination of intangible asset useful lives. It is effective for fiscal years beginning after December 15, 2008. Earlier adoption was not permitted. The adoption of this guidance on October 1, 2009 is not expected to have any impact on the Company's financial statements.

In June 2008, the FASB issued authoritative guidance, as codified in ASC 815-40, "Derivatives and Hedging; Contracts in Entity's Own Equity" (formerly EITF Issue No. 07-5). This guidance provides a two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception codified in ASC 815-10 (formerly SFAS No. 133 paragraph 11(a)). The Company adopted this guidance effective October 1, 2009 and it did not have any impact on Parametric Sound's financial statements.

In May 2009, the FASB issued ASC 855-10, "Subsequent Events" (formerly SFAS No. 165). ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 was effective for fiscal years and interim periods ending after June 15, 2009. The implementation of this standard did not have a material impact on the Company's consolidated financial statements. (See Note 11).

Effective October 1, 2009, the Company is required to adopt new standards regarding business combinations issued by the FASB in December 2007, as codified under ASC 805, "Business Combinations" (formerly FAS 141R) that require the acquisition method to be applied to all transactions and other events in which an entity obtains control over one or more other businesses, requires the acquirer to recognize the fair value of all assets and liabilities acquired, even if less than one hundred percent ownership is acquired, and establishes the acquisition date fair value as measurement date for all assets and liabilities assumed. For the Company, this accounting update is effective on a prospective basis for all business combinations for which the acquisition date is on or after October 1, 2009. Since the Company is not contemplating any business combinations it does not presently expect any impact of adoption on its financial statements.

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In December 2007, the FASB issued authoritative guidance, as codified in ASC 810-10, "Consolidation" (formerly SFAS 160) that establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated financial statements. This guidance is effective for the Company's fiscal years beginning after December 15, 2008. The provisions are applied prospectively upon adoption except for the presentation and disclosure requirements that are applied retrospectively. The Company has no non-controlling interests and accordingly the adoption of this guidance effective October 1, 2009 is not expected to have a material impact on the Company's financial statements.

In September 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, "Revenue Recognition (Topic 605)—Multiple Deliverable Arrangements" (formerly EITF Issue 08-1). This guidance updates the existing multiple-element revenue arrangements guidance currently included under ASC 605-25, which originated primarily from the guidance in EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting update to its financial statements.

In October 2009, the FASB issued ASU 2009-14, "Software (Topic 985)—Certain Revenue Arrangements that Include Software Elements" (formerly EITF Issue 09-3) and changes the accounting model for revenue arrangements that include both tangible products and software elements. Under this guidance, tangible products containing software components and nonsoftware components that function together to deliver the tangible product's essential functionality are excluded from the software revenue guidance in Subtopic 985-605, "Software—Revenue Recognition". In addition, hardware components of a tangible product containing software components are always excluded from the software revenue guidance. The guidance in this ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The adoption of this standard is not expected to have an impact on the Company's financial position and results of operations since this accounting standard update provides only implementation and disclosure amendments.

2. INVENTORIES, NET

Inventories are stated at the lower of cost, which approximates actual costs on a first in, first out cost basis, or market.

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Inventories consisted of the following:

Years Ended September 30,	2009	2008
Finished goods	\$ 102,104	\$ 490,420
Work in process	-	9,385
Raw materials	1,760,656	1,826,211
	1,862,760	2,326,016
Reserve for obsolescence	(1,440,303)	(1,371,224)
Total, net	<u>\$ 422,457</u>	<u>\$ 954,792</u>

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

The reserve for obsolescence increased by \$69,079 and \$106,548 in the years ended September 30, 2009 and 2008, respectively, due to excess HSS components.

3. EQUIPMENT AND TOOLING

Equipment consists of the following:

Years Ended September 30,	2009	2008
Equipment and tooling	\$ 179,835	\$ 179,835
Office equipment	1,401	1,401
	181,236	181,236
Accumulated depreciation	(181,236)	180,102
Equipment and tooling, net	<u>\$ -</u>	<u>\$ 1,134</u>

Depreciation expense was \$1,134 and \$35,551 for the years ended September 30, 2009 and 2008, respectively.

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4. PATENTS

Patents consist of the following:

Years Ended September 30,	2009	2008
Cost	\$ 1,015,572	\$ 1,044,541
Accumulated amortization	(461,927)	(406,685)
Patents, net	<u>\$ 553,645</u>	<u>\$ 637,856</u>

Aggregate amortization expense for the Company's patents was \$68,486 and \$77,664 during the years ended September 30, 2009 and 2008, respectively. In addition to amortization, the Company wrote off \$46,312 and \$202,170 of impaired patent costs during the years ended September 30, 2009 and 2008, respectively. Additional patents may be written off in the future if it is deemed that certain patents are no longer consistent with the business strategy after the spin-off.

Estimated Amortization Expense Years Ended September 30,

2010	\$ 66,114
2011	\$ 65,940
2012	\$ 65,940
2013	\$ 65,940
2014	\$ 65,940
Thereafter	\$ 223,771

5. INCOME TAXES

For all historic periods reported in the financial statements, Parametric Sound maintained valuation allowances against its net deferred tax assets, including net operating loss carryforwards, because it was more likely than not that the deferred taxes would not be realized. The net operating losses (NOLs) generated by Parametric Sound are consolidated within the LRAD Corporation tax return and it is anticipated that all NOL carryforwards and research and development credits generated by Parametric Sound will be retained by LRAD Corporation upon the separation of the companies. As the amounts of cumulative expenses in the financial statements not allowed for federal and state income tax purposes were not sufficient enough to result in positive taxable income Parametric Sound recorded no income tax expense in 2009 and 2008 from the book losses incurred.

The effective tax rate of Parametric Sound after the separation and in the future could vary from that of LRAD Corporation. Upon separation, Parametric Sound as a new separate legal entity will not benefit from any of the carryforward tax attributes from prior periods including net operating loss carryforwards. Given that the tax rate is zero and that attributes will not carryforward, details of deferred tax assets, valuation allowances and the related rate reconciliation are not presented.

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6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	September 30, 2009	September 30, 2008
Payroll and related	\$ 48,757	\$ 29,623
Warranty reserve	29,389	35,755
Total	\$ 78,146	\$ 65,378

The Company establishes a warranty reserve based on anticipated warranty claims at the time product revenue is recognized. Factors affecting warranty reserve levels include the number of units sold, anticipated cost of warranty repairs and anticipated rates of warranty claims. The Company evaluates the adequacy of the provision for warranty costs each reporting period.

Details of the estimated warranty liability are as follows:

Years Ended September 30,	2009	2008
Beginning balance	\$ 35,755	\$ 65,257
Warranty provision	(5,437)	(23,904)
Warranty settlements	(929)	(5,598)
Ending balance	\$ 29,389	\$ 35,755

At distribution, LRAD Corporation will be responsible for warranty claims related to prior product sales and resulting from sales from the completion of any outstanding orders as of the distribution date.

The Company is obligated to pay a minimum of \$1.00 per unit royalty on one electronic component used in the HSS products. Royalty expenses incurred were \$1,254 and \$1,408 in the fiscal years ended September 30, 2009 and 2008, respectively. If Parametric Sound uses this component in its products, it will be required to pay this royalty.

7. LRAD CORPORATION NET INVESTMENT

The financial statements of Parametric Sound represent the HSS product business of LRAD Corporation. Because neither a separate subsidiary nor a direct ownership relationship existed, LRAD Corporation's investment in Parametric Sound is shown as parent company equity in lieu of a stockholders' equity classification in the financial statements.

Net transactions include intercompany transactions with LRAD Corporation. These intercompany transactions represent the cash contributions or distributions related to the operating transactions between LRAD Corporation and Parametric Sound. No cash or accounts receivable will be transferred at the distribution date and the Company will ultimately be responsible for all spin-off related costs (see Note 10). LRAD Corporation will retain certain inventory sufficient to complete outstanding customer orders and to support outstanding warranty obligations (see Note 10).

8. SHARE-BASED COMPENSATION

The Company expects to adopt a stock compensation plan following the effectiveness of the spin-off that will provide grants for incentive stock options or non-qualified stock options to directors, employees and/or consultants.

The following information regarding outstanding stock options and share-based compensation has been derived from equity awards granted under LRAD Corporation equity compensation plans to individuals whose salary and benefits were allocated to the Company in the accompanying financial statements.

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The weighted average estimated fair value of employee stock options granted to these individuals during the year ended September 30, 2009 and 2008 was \$0.23 per share and \$0.92 per share, respectively, using the Black-Scholes option-pricing model with the following weighted-average assumptions (annualized percentages):

	Year Ended September 30,	
	2009	2008
Volatility	71.0% - 83.0%	71.0%
Risk-free interest rate	1.30% - 2.46%	2.79% - 3.49%
Forfeiture rate	20.0%	20.0%
Dividend yield	0.0%	0.0%
Expected life in years	3.4 - 4.9	3.4 - 4.9

The dividend yield of zero is based on the fact that LRAD Corporation has never paid cash dividends and has no present intention to pay cash dividends. Expected volatility is based on the historical volatility of LRAD Corporation's common stock over the period commensurate with the expected life of the options. The risk-free interest rate is based on rates published by the Federal Reserve Board. The expected life is based on observed and expected time to post-vesting exercise. The expected forfeiture rate is based on past experience and employee retention data. Forfeitures are estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from those estimates or if the estimated forfeiture rate is updated. Such amounts are recorded as a cumulative adjustment in the period in which the estimate is changed.

As of September 30, 2009, there was \$4,144 of total unrecognized compensation costs related to outstanding LRAD Corporation stock options granted to personnel whose salary and benefit costs were allocated to the company. This amount is expected to be recognized over a weighted-average period of 0.9 years, unless the employee leaves LRAD Corporation employment prior to that time. To the extent the forfeiture rate is different from what the Company anticipated, stock-based compensation related to these awards will be different from the Company's expectations. There will be no expense incurred by Parametric Sound Corporation after the distribution date related to these stock options.

Stock Option Summary Information

A summary of activity for LRAD Corporation stock options issued to personnel whose salary and benefit costs were allocated to the Company as of September 30, 2009 and 2008 is presented below:

	Number of Shares	Weighted Average Exercise Price
Fiscal 2008:		
Outstanding October 1, 2007	1,151,090	\$ 4.27
Granted	115,000	\$ 2.05
Canceled/expired	(313,090)	\$ 3.18
Outstanding September 30, 2008	<u>953,000</u>	<u>\$ 4.08</u>
Exercisable at September 30, 2008	<u>690,500</u>	<u>\$ 4.24</u>
Fiscal 2009:		
Outstanding October 1, 2008	953,000	\$ 4.08
Granted	40,000	\$ 0.52
Canceled/expired	(953,000)	\$ 4.00
Exercised	(5,833)	\$ 0.48
Outstanding September 30, 2009	<u>34,167</u>	<u>\$ 2.80</u>
Exercisable September 30, 2009	<u>27,500</u>	<u>\$ 3.24</u>
Weighted average fair value of options granted during the year		<u>\$ 0.23</u>

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The aggregate intrinsic value for both options outstanding and options exercisable relating to options issued to personnel whose salary and benefits were allocated to the Company at September 30, 2009 was \$5,375 and \$-0-, respectively. The aggregate intrinsic value represents the difference between the Company's closing stock price on the last day of trading during the year, which was \$1.77 per share, and the exercise price multiplied by the number of applicable options. The total intrinsic value of options exercised during 2009 and 2008 was \$7,758 and \$-0-, respectively.

The following table summarizes information about stock options outstanding at September 30, 2009 relating to options issued to personnel whose salary and benefits were allocated to the Company:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.48-\$1.88	19,167	3.56	\$.58	12,500	\$ 1.88
\$4.37	15,000	2.38	\$.37	15,000	\$ 4.37
<u>\$0.48-\$4.37</u>	<u>34,167</u>	<u>3.04</u>	<u>\$ 2.80</u>	<u>27,500</u>	<u>\$ 3.24</u>

The Company recorded non-cash share-based compensation expense relating to options issued to personnel whose salary and benefits were allocated to the Company of \$447,893 and \$797,805, respectively, for the fiscal years ended September 30, 2009 and 2008. The amounts of share-based compensation expense are classified in the consolidated statements of operations as follows:

Years Ended September 30,	2009	2008
Cost of revenue	\$ 3,229	\$ 1,513
Selling, general and administrative	444,664	664,321
Research and development	-	131,971
Total	\$ 447,893	\$ 797,805

9. MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the fiscal year ended September 30, 2009, revenues from three customers accounted for 27%, 15% and 14% of total revenues. No other single customer represented more than 10% of total revenues. For the fiscal year ended September 30, 2008, revenues from three customers accounted for 16%, 13% and 12% of total revenues with no other single customer accounting for more than 10% of total revenues. One large customer, Cardinal Health, Inc., which accounted for 27% of sales in the year ended September 30, 2009, will continue to be supplied by LRAD Corporation through completion of their current project.

Suppliers

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

Segment and Related Information

The Company business consists of only one product. Accordingly, the Company operates in one reportable segment.

PARAMETRIC SOUND CORPORATION
(A COMPONENT OF LRAD CORPORATION)
NOTES TO AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

The following table summarizes revenues by geographic region. Revenues are attributed to countries based on customer location.

Years Ended September 30,	2009	2008
Revenues		
United States	\$ 266,654	\$ 149,913
Other	340,452	593,431
Total	<u>\$ 607,106</u>	<u>\$ 743,344</u>

10. RELATED PARTY TRANSACTIONS

The financial statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of LRAD Corporation.

Allocation of Expenses

The financial statements include expense allocations for certain functions provided by LRAD Corporation, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, employee benefits and incentives. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue or other measure. During the fiscal years ended September 30, 2009 and 2008, the Company was allocated \$839,971 and \$1,340,649, respectively, of general corporate expenses incurred by LRAD Corporation which is included within selling, general and administrative expenses in the statements of operations. During the fiscal years ended September 30, 2009 and 2008, the Company was allocated \$114,798 and \$740,582, respectively, of research and development expenses incurred by LRAD Corporation which is included within research and development expenses in the statements of operations. During the fiscal years ended September 30, 2009 and 2008, the Company was allocated \$73,063 and \$140,022, respectively, of manufacturing overhead expenses for warehousing, materials management and production management, which is included within cost of sales.

The expense allocations have been determined on a basis that both the Company and LRAD Corporation consider to be a reasonable reflection of the utilization of services provided or the benefit received by the Company during the periods presented. The allocations may not, however, reflect the expense the Company would have incurred as an independent, publicly-traded company for the periods presented. Actual costs that may have been incurred if the Company had been a stand-alone company would depend on a number of factors, including the chosen organization structure, what functions are outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Separation Agreement

In connection with the spin-off, the Company and LRAD Corporation expect to enter into a Separation and Distribution Agreement, (the "Separation Agreement") and some other ancillary agreements to complete the separation of the business from LRAD Corporation and to distribute Parametric Sound common stock to LRAD Corporation stockholders. LRAD Corporation shall retain sufficient inventory and supplies to fulfill outstanding orders with current customers existing at the date of distribution (or received as a continuing order thereafter expected to extend not beyond December 31, 2010) and will be responsible for warranty, returns and related liabilities for such customers and sales. LRAD Corporation will not accept any new orders (other than a continuing order) from current customers after the distribution date. Unless otherwise agreed by the parties, the Company will not be obligated to fulfill any orders or continuing orders of LRAD Corporation.

Previously Licensed Technology

LRAD Corporation was previously obligated to pay Mr. Norris a 2% royalty on net sales from certain of its technologies, including HSS. The royalty obligation discontinued in October 2008 under the terms of Mr. Norris' amended employment agreement dated November 5, 2008. No royalties were paid or recorded under this agreement in the fiscal years ended September 30, 2009 or 2008, as these royalties were immaterial and were waived by Mr. Norris. The amounts of the royalties waived were \$0 and \$14,266 for the years ended September 30, 2009 and 2008, respectively.

PARAMETRIC SOUND CORPORATION
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SEPTEMBER 30, 2009 AND 2008

Syzygy Licensing LLC

Syzygy is an entity in which, Elwood G. Norris, a director and greater than 10% stockholder of LRAD Corporation, is majority owner. Mr. Norris is also expected to be the Company's President and Chief Executive Officer at the distribution date.

When the Board of Directors of LRAD Corporation conditionally approved the spin-off in April 2010, Mr. Norris through Syzygy agreed to advance third party fees, costs and expenses in connection with the transaction. Should the transaction not be completed then Syzygy and not LRAD Corporation will be responsible for such costs unless LRAD Corporation unilaterally terminates the spin-off other than for lack of stockholder or SEC approval, whereupon LRAD Corporation will reimburse Syzygy. Except as expressly set forth in the Separation Agreement, should the separation be completed then all third party fees, costs and expenses paid or incurred in connection with the transactions by Syzygy or by LRAD Corporation will be repaid by the Company at or after the distribution.

The Company also plans to enter into a license agreement effective upon distribution with Syzygy related to certain patent pending technology and trade secrets for a new method of controlling and processing media input to create parametric sound output for parametric emitter devices such as those employed in the HSS technology. The Company will pay no initial license fee nor issue any equity for this license but is expected to reimburse technology, patent, prototype and testing costs incurred to the distribution and to pay future patent related costs. The license is expected to provide for royalties of not more than 5% of net sales from products employing the technology.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 23, 2010, which was the date the Company's financial statements were issued.

PARAMETRIC SOUND CORPORATION
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2010 AND 2009

Preface

The preparation of the unaudited interim financial statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and certain financial statement disclosures. Significant estimates in these unaudited interim financial statements include allowances for doubtful accounts receivable, net realizable value of inventories, useful lives of property and identifiable intangible assets, the evaluation of impairments of property and identifiable intangible assets, income tax and valuation reserves and the evaluation of warranty reserves. Actual results may differ from these estimates.

The unaudited interim financial statements for the six months ended March 31, 2010 and 2009 and balance sheet as of March 31, 2010 included herein have not been audited by an independent registered public accounting firm, but in the Company's opinion, all adjustments (which include only normal recurring adjustments) necessary to make a fair statement of the financial position at March 31, 2010 and the results of operations and the cash flows for the periods presented herein have been made. The balance sheet as of March 31, 2010 has been derived from the Company's audited financial statements for the fiscal year ended September 30, 2009. The results of operations for the six months ended March 31, 2010 are not necessarily indicative of the operating results expected for the full fiscal year.

The unaudited interim financial statements included herein have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Although management believes the disclosures made are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules or regulations. These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included elsewhere in this information statement.

Parametric Sound Corporation
(A Component of LRAD Corporation)
Balance Sheets

	March 31, 2010 (Unaudited)	September 30, 2009
ASSETS		
Current assets:		
Accounts receivable, less allowance of \$222,864 each period for doubtful accounts	\$ 46,854	\$ 29,910
Inventories, net	208,168	422,457
Total current assets	255,022	452,367
Patents, net	501,512	553,645
Total assets	\$ 756,534	\$ 1,006,012
LIABILITIES AND LRAD CORPORATION NET INVESTMENT		
Current liabilities:		
Accounts payable	\$ 4,815	\$ 4,662
Accrued liabilities	56,800	78,146
Total current liabilities	61,615	82,808
Commitments and contingencies		
LRAD Corporation, net investment	694,919	923,204
Total liabilities and LRAD Corporation net investment	\$ 756,534	\$ 1,006,012

See accompanying notes to financial statements

Parametric Sound Corporation
(A Component of LRAD Corporation)
Statements of Operations

	For the six months ended	
	March 31, 2010	2009
Revenues:		
Product sales	\$ 345,145	\$ 170,346
Other revenue	52	8,379
Total revenues	<u>345,197</u>	<u>178,725</u>
Cost of revenues	<u>291,496</u>	<u>144,610</u>
Gross profit	<u>53,701</u>	<u>34,115</u>
Operating expenses:		
Selling, general and administrative	152,134	477,899
Research and development	55,440	71,700
Total operating expenses	<u>207,574</u>	<u>549,599</u>
Loss from operations	<u>(153,873)</u>	<u>(515,484)</u>
Net loss	<u>\$ (153,873)</u>	<u>\$ (515,484)</u>

See accompanying notes to financial statements

Parametric Sound Corporation
(A Component of LRAD Corporation)
Statements of Cash Flows

	Six Month Ended March 31,	
	2010	2009
Increase (Decrease) in Cash and Cash Equivalents:		
Operating Activities:		
Net loss	\$ (153,873)	\$ (515,484)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	33,144	35,657
Provision for doubtful accounts	-	(2,538)
Warranty provision	(6,406)	(7,143)
Inventory obsolescence	13,531	(9,754)
Share-based compensation	4,382	329,140
Loss on impairment of patents	22,296	37,177
Changes in assets and liabilities:		
Accounts receivable	(16,944)	50,760
Inventories	200,758	116,093
Accounts payable	153	(2,078)
Warranty settlements	15,054	(18)
Accrued liability	(29,994)	(13,383)
Customer deposit	-	5,580
Net cash provided by operating activities	<u>82,101</u>	<u>24,009</u>
Investing Activities:		
Patent costs paid	(3,307)	(1,369)
Net cash used in investing activities	<u>(3,307)</u>	<u>(1,369)</u>
Financing Activities:		
Net change in investment from LRAD Corporation	(78,794)	(22,640)
Net cash provided by financing activities	<u>(78,794)</u>	<u>(22,640)</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

Parametric Sound Corporation
(A Component of LRAD Corporation)
Notes To Unaudited Financial Statements
For the Six Months Ended March 31, 2010 and 2009

Note 1—Description of Business

In April 2010, the board of directors of LRAD Corporation approved a plan to separate its HyperSonic Sound (“HSS”) product line into a new independent, stand-alone company. In a special meeting of stockholders held June 2, 2010, the proposal to separate the HSS business from LRAD was approved, and on June 2, 2010, LRAD created a new wholly owned subsidiary, hereinafter referred to as Parametric Sound Corporation (“Parametric Sound” or the “Company”), into which the HSS business and substantially all of the assets of the business and associated intellectual property rights were contributed. The spin-off will separate the Parametric Sound subsidiary from LRAD Corporation. Consummation of the spin-off is subject to certain conditions, including final approval by the LRAD board of directors, and the effectiveness of the registration statement filed with the Securities and Exchange Commission. Following the spin-off, each holder of LRAD Corporation common stock will receive a dividend of one share of Parametric Sound common stock for every two shares of LRAD Corporation common stock held on the record date. LRAD Corporation will continue to operate its existing LRAD and SoundSaber businesses, excluding the HSS business to be held by Parametric Sound.

The HSS product utilizes a proprietary parametric speaker technology that generates sound along an air column using ultrasonic frequencies above the normal range of hearing. HSS products are compatible with standard media players and the highly directional sound beam localizes or shines sound where intended by users. The Company’s product offering consists primarily of the HSS 450 sound system with principal markets being North America, Europe and Asia.

Basis of Accounting

The financial statements include the assets, liabilities and results of operations of the component of LRAD Corporation that constitutes the HSS business to be separated. These financial statements are prepared as if Parametric Sound existed and owned this business in all periods presented and have been prepared using LRAD Corporation’s historical cost basis of assets and liabilities. Historically, the HSS business in LRAD Corporation operated as a product line and not a separate segment and not as an independent stand-alone business. For each of the periods presented, Parametric Sound was fully integrated with LRAD Corporation, including production, product development, accounting, finance, treasury, payroll, legal services and investor relations.

The accompanying financial statements include all revenues and cost of revenues directly attributable to the HSS business. However, in circumstances where costs are shared, management used certain estimates to allocate expenses incurred by LRAD Corporation on behalf of the business included in the financial statements. The most significant expenses are as follows:

- Direct costs of HSS research and development, sales and administrative personnel are included along with associated stock-based compensation and allocated employee benefits on a specific identification basis.
- HSS patent amortization costs, including impairments, are included in research and development costs.
- Certain shared administrative salaries and costs including accounting, payroll, human resources, information technology and other services along with legal, auditing and other administrative costs were allocated based on estimates of the proportionate cost incurred by LRAD Corporation related to Parametric Sound.
- Other costs including facility and occupancy costs were allocated proportionately based on revenues.

Management believes that the assumptions and methods of allocation used underlying the financial statements are reasonable. However, the costs as allocated to the Company are not necessarily indicative of the costs that would have been incurred if the Company operated as a stand-alone entity. Therefore the financial statements included herein may not necessarily be indicative of the financial position, results of operations, changes in stockholders’ equity and cash flows of the Company to be expected in the future or what they would have been had the Company been a separate stand-alone entity during the periods presented.

All cash balances are retained and considered those of LRAD Corporation consistent with the planned spin-off.

Parametric Sound Corporation
(A Component of LRAD Corporation)
Notes To Unaudited Financial Statements
For the Six Months Ended March 31, 2010 and 2009

The unaudited interim financial statements for the six months ended March 31, 2010 and 2009 and balance sheet as of March 31, 2010 included herein have not been audited by an independent registered public accounting firm, but in the Company's opinion, all adjustments (which include only normal recurring adjustments) necessary to make a fair statement of the financial position at March 31, 2010 and the results of operations and the cash flows for the periods presented herein have been made. The balance sheet as of March 31, 2010 has been derived from the Company's audited financial statements for the fiscal year ended September 30, 2009. The results of operations for the six months ended March 31, 2010 are not necessarily indicative of the operating results expected for the full fiscal year.

The unaudited interim combined financial statements included herein have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Although management believes the disclosures made are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules or regulations. These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included elsewhere in this information statement.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future. Parametric Sound had net losses of \$153,873 and \$515,484 for the six months ended March 31, 2009 and 2008, respectively and the Company had no sources of financing except for that provided by LRAD Corporation. At separation, LRAD Corporation is retaining all cash and accounts receivable and the Company will be reliant on obtaining new debt or equity financing sufficient to sustain operations until profitability can be achieved. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's plans for raising initial required financing include the issuance of subordinated promissory notes in the amount of \$350,000 - \$750,000. Of this amount, the Company's Chairman and Chief Executive Officer has agreed to, at a minimum guarantee that at least \$350,000 is funded through the conversion of amounts owed by the Company to Syzygy (see Note 10) and additional cash on the same terms as other investors in the subordinated promissory note financing. There is no assurance that Parametric Sound will be successful in raising sufficient funds to sustain its operations for twelve months or beyond.

The continuation of the Company as a going concern is dependent on its ability to develop revenues and to obtain financing from outside sources. Should the Company be unable to obtain required financing, it may have to curtail operations, which may have a material adverse effect on its financial position and results of operations. The accompanying financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. Recent Accounting Pronouncements

In April 2008, the FASB issued authoritative guidance, as codified in ASC 350-30, "Goodwill and other; General Intangibles Other Than Goodwill" (formerly FSP SFAS 142-3). This guidance provides factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This guidance also requires expanded disclosure related to the determination of intangible asset useful lives. It is effective for fiscal years beginning after December 15, 2008. Earlier adoption was not permitted. The adoption of this guidance on October 1, 2009 is not expected to have any impact on the Company's financial statements.

In June 2008, the FASB issued authoritative guidance, as codified in ASC 815-40, "Derivatives and Hedging; Contracts in Entity's Own Equity" (formerly EITF Issue No. 07-5). This guidance provides a two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception codified in ASC 815-10 (formerly SFAS No. 133 paragraph 11(a)). The Company adopted this guidance effective October 1, 2009 and it did not have any impact on Parametric Sound's financial statements.

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Effective October 1, 2009, the Company is required to adopt new standards regarding business combinations issued by the FASB in December 2007, as codified under ASC 805, "Business Combinations" (formerly FAS 141R) that require the acquisition method to be applied to all transactions and other events in which an entity obtains control over one or more other businesses, requires the acquirer to recognize the fair value of all assets and liabilities acquired, even if less than one hundred percent ownership is acquired, and establishes the acquisition date fair value as measurement date for all assets and liabilities assumed. For the Company, this accounting update is effective on a prospective basis for all business combinations for which the acquisition date is on or after October 1, 2009. Since the Company is not contemplating any business combinations it does not presently expect any impact of adoption on its financial statements.

In December 2007, the FASB issued authoritative guidance, as codified in ASC 810-10, "Consolidation" (formerly SFAS 160) that establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated financial statements. This guidance is effective for the Company's fiscal years beginning after December 15, 2008. The provisions are applied prospectively upon adoption except for the presentation and disclosure requirements that are applied retrospectively. The Company has no non-controlling interests and accordingly the adoption of this guidance effective October 1, 2009 is not expected to have a material impact on the Company's financial statements.

In September 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, "Revenue Recognition (Topic 605)—Multiple Deliverable Arrangements" (formerly EITF Issue 08-1). This guidance updates the existing multiple-element revenue arrangements guidance currently included under ASC 605-25, which originated primarily from the guidance in EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting update to its financial statements.

In October 2009, the FASB issued ASU 2009-14, "Software (Topic 985)—Certain Revenue Arrangements that Include Software Elements" (formerly EITF Issue 09-3) and changes the accounting model for revenue arrangements that include both tangible products and software elements. Under this guidance, tangible products containing software components and nonssoftware components that function together to deliver the tangible product's essential functionality are excluded from the software revenue guidance in Subtopic 985-605, "Software-Revenue Recognition". In addition, hardware components of a tangible product containing software components are always excluded from the software revenue guidance. The guidance in this ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The adoption of this standard is not expected to have an impact on the Company's financial position and results of operations since this accounting standard update provides only implementation and disclosure amendments.

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements." This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement described in Subtopic 820-10, for the purpose of improving these disclosures and increasing the transparency in financial reporting. This standard was effective for fiscal years beginning after December 15, 2010, and for interim periods within these fiscal years. The Company complied with this amendment in the current filing.

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In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements." The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. The amendments in the ASU were effective upon issuance on February 24, 2010 and the Company complied with this amendment in the current filing.

In April 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition." This ASU provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This ASU is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The Company is currently assessing the future impact of this new accounting update to its consolidated financial statements.

3. Inventories, net

Inventories are stated at the lower of cost, which approximates actual costs on a first in, first out cost basis, or market. Inventories consisted of the following:

	March 31, 2010	September 30, 2009
Finished goods	\$ 61,384	\$ 102,104
Work in process	7,423	-
Raw materials	1,566,133	1,760,656
	1,634,940	1,862,760
Reserve for obsolescence	(1,426,772)	(1,440,303)
Total, net	<u>\$ 208,168</u>	<u>\$ 422,457</u>

4. Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2010	September 30, 2009
Payroll and related	\$ 18,762	\$ 48,757
Warranty reserve	38,038	29,389
Total	<u>\$ 56,800</u>	<u>\$ 78,146</u>

Changes in the warranty reserve for the six months ended March 31, 2010 and 2009 were as follows:

Six Months Ended March 31,	2010	2009
Beginning balance	\$ 29,390	\$ 35,755
Warranty provision	15,054	(7,143)
Warranty settlements	(6,406)	(18)
Ending balance	<u>\$ 38,038</u>	<u>\$ 28,594</u>

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5. Patents

Patents consist of the following:

	March 31, 2010	September 30, 2009
Cost	\$ 986,066	\$ 1,015,572
Accumulated amortization	(484,554)	(461,927)
Patents, net	\$ 501,512	\$ 553,645

Aggregate amortization expense for the Company's patents was \$33,144 and \$34,523 during the six months ended March 31, 2010 and 2009, respectively. In addition to amortization, the Company wrote off \$22,296 and \$37,177 of impaired patent costs during the six months ended March 31, 2010 and 2009, respectively. Additional patents may be written off in the future if it is deemed that certain patents are no longer consistent with the business strategy after the spin-off.

6. LRAD Corporation Net Investment

The financial statements of Parametric Sound represent the HSS product business of LRAD Corporation. Because neither a separate subsidiary nor a direct ownership relationship existed, LRAD Corporation's investment in Parametric Sound is shown as parent company equity in lieu of a stockholders' equity classification in the financial statements.

Net transactions include intercompany transactions with LRAD Corporation. These intercompany transactions represent the cash contributions or distributions related to the operating transactions between LRAD Corporation and Parametric Sound.

The following table summarizes changes in parent's equity components during the six months ended March 31, 2010:

Balance at September 30, 2009	\$ 923,204
Net loss for the period	(153,873)
Net transfers to parent	(74,412)
Balance at March 31, 2010	\$ 694,919

7. Share-Based Compensation

Pursuant to LRAD Corporation's 2005 Equity Incentive Plan, the Company recorded \$4,382 and \$329,140 of stock compensation expense for the six months ended March 31, 2010 and 2009, respectively related to specific personnel whose salary and benefit costs were allocated to the Company. No options were granted to these personnel during the six months ended March 31, 2010.

8. Major Customers and Suppliers

Major Customers

For the six months ended March 31, 2010, revenues from two customers accounted for 50% and 13% of total revenues. No other single customer represented more than 10% of total revenues. For the six months ended March 31, 2009, revenues from four customers accounted for 19%, 16%, 15% and 14% of total revenues with no other single customer accounting for more than 10% of total revenues. One large customer, Cardinal Health, Inc., which accounted for 50% of sales in the six months ended March 31, 2010, will continue to be supplied by LRAD Corporation through completion of their current project.

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Suppliers

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

9. Related Party Transactions

The financial statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of LRAD Corporation.

Allocation of Expenses

The financial statements include expense allocations for certain functions provided by LRAD Corporation, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, employee benefits and incentives. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue or other measure. During the six months ended March 31, 2010 and 2009, the Company was allocated \$152,134 and \$477,899, respectively, of general corporate expenses incurred by LRAD Corporation which is included within selling, general and administrative expenses in the statements of operations. During the six months ended March 31, 2010 and 2009, the Company was allocated \$55,440 and \$71,700, respectively, of research and development expenses incurred by LRAD Corporation which is included within research and development expenses in the statements of operations. During the six months ended March 31, 2010 and 2009, the Company was allocated \$21,286 and \$16,484, respectively, of manufacturing overhead expenses for warehousing, materials management and production management, which is included within cost of sales.

The expense allocations have been determined on a basis that both the Company and LRAD Corporation consider to be a reasonable reflection of the utilization of services provided or the benefit received by the Company during the periods presented. The allocations may not, however, reflect the expense the Company would have incurred as an independent, publicly-traded company for the periods presented. Actual costs that may have been incurred if the Company had been a stand-alone company would depend on a number of factors, including the chosen organization structure, what functions are outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Separation Agreement

In connection with the spin-off, the Company and LRAD Corporation expect to enter into a Separation and Distribution Agreement, (the "Separation Agreement") and some other ancillary agreements to complete the separation of the business from LRAD Corporation and to distribute Parametric Sound common stock to LRAD Corporation stockholders. LRAD Corporation shall retain sufficient inventory and supplies to fulfill outstanding orders with current customers existing at the date of distribution (or received as a continuing order thereafter expected to extend not beyond December 31, 2010) and will be responsible for warranty, returns and related liabilities for such customers and sales. LRAD Corporation will not accept any new orders (other than a continuing order) from current customers after the distribution date. Unless otherwise agreed by the parties, the Company will not be obligated to fulfill any orders or continuing orders of LRAD Corporation.

Syzygy Licensing LLC

Syzygy is an entity in which, Elwood G. Norris, a director and greater than 10% stockholder of LRAD Corporation, is majority owner. Mr. Norris is also expected to be the Company's President and Chief Executive Officer at the distribution date.

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When the Board of Directors of LRAD Corporation conditionally approved the spin-off in April 2010, Mr. Norris through Syzygy agreed to advance third party fees, costs and expenses in connection with the transaction. Should the transaction not be completed then Syzygy and not LRAD Corporation will be responsible for such costs unless LRAD Corporation unilaterally terminates the spin-off other than for lack of stockholder or SEC approval, whereupon LRAD Corporation will reimburse Syzygy. Except as expressly set forth in the Separation Agreement, should the separation be completed then all third party fees, costs and expenses paid or incurred in connection with the transactions by Syzygy or by LRAD Corporation will be repaid by the Company at or after the distribution.

The Company also plans to enter into a license agreement effective upon distribution with Syzygy related to certain patent pending technology and trade secrets for a new method of controlling and processing media input to create parametric sound output for parametric emitter devices such as those employed in the HSS technology. The Company will pay no initial license fee nor issue any equity for this license but is expected to reimburse technology, patent, prototype and testing costs incurred to the distribution and to pay future patent related costs. The license is expected to provide for royalties of not more than 5% of net sales from products employing the technology.

DURHAM
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JONES &
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PINEGAR

DURHAM JONES & PINEGAR, P.C.
192 East 200 North, Third Floor
St. George, Utah 84770-2879
435.674.0400
435.628.1610 Fax
www.djplaw.com

Joshua E. Little
Attorney at Law
jlittle@djplaw.com
FILE No. 41483.05

June 23, 2010

VIA EDGAR
Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549

**Re: Parametric Sound Corporation
Registration Statement on Form 10**

Ladies and Gentlemen:

On behalf of Parametric Sound Corporation (the "Company"), we are filing herewith a Registration Statement on Form 10 (the "Registration Statement"), together with certain exhibits thereto, for the registration by the Company of its common stock, par value \$0.001 per share (the "Common Stock"), in connection with the spin-off of the Company from its parent company, LRAD Corporation ("LRAD"). In connection with the spin-off, the Company will issue Common Stock to LRAD, and LRAD will distribute that Common Stock to its stockholders on a pro rata basis. The Registration Statement is being filed pursuant to Staff Legal Bulletin No. 4 (September 16, 1997).

We respectfully request that the Staff send a copy of any comments that the Staff may have to the undersigned at (435) 628-1610, and that the Staff direct any questions or comments regarding the Registration Statement to the undersigned at (435) 674-0400. Thank you.

Sincerely,



DURHAM JONES & PINEGAR, P.C.

Joshua E. Little

Enclosures