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

FORM 10-Q

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

For the quarterly period ended June 30, 2013

Commission File Number: 000-54020

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

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

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

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

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

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

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

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

The number of shares of Common Stock, $0.001 par value, outstanding on August 7, 2013 was 6,818,321.

PARAMETRIC SOUND CORPORATION

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

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

- The status and timing of our proposed merger with VTB Holdings, Inc. ("Turtle Beach") and related transactions;
- Our history of losses;
- The limited number of suppliers for some of our components;
- Our market being characterized by rapidly advancing technology;
- The impact of competitive products, technologies and pricing;
- Manufacturing capacity constraints and difficulties;
- Local, regional, national and international economic conditions and events and the impact they may have on us and our customers;
- Continued volatility in the credit and equity markets and the resulting effect on the general economy;
- Our success at managing the risks involved in the foregoing items;
- The commercialization of our proprietary technologies;
- The implementation of our business model and strategic plans for our business and technology;
- The scope of protection we are able to establish and maintain for intellectual property rights covering our technology;
- Our belief that existing resources and planned product revenues will provide sufficient liquidity to meet our funding requirements over the next year;
- Our belief that we have strong commercial, consumer and healthcare market opportunities worldwide;
- Our expectation of increased product sales for the balance of fiscal 2013 and 2014 and future licensing revenue;
- Estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- The timing or likelihood of regulatory filings and approvals including with respect to HSS products as medical devices;
- Risks related to our proposed merger with Turtle Beach, as described in more detail later in this report under the heading "Part II – Item 1A. Risk Factors";
- Our financial performance; and
- Developments relating to our competitors and our industry.

Forward-looking statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 and in Part II, "Item 1A. Risk Factors" of this report.

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

Parametric Sound Corporation
Condensed Consolidated Balance Sheets

	June 30, 2013 (unaudited)	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,282,863	$ 5,527,647
Accounts receivable	190,298	39,371
Inventories, net	464,755	443,704
Prepaid expenses and other current assets	121,107	62,828
Total current assets	4,059,023	6,073,550
Property and equipment, net	248,766	176,912
Intangible assets, net	1,379,864	1,314,861
Total assets	$ 5,687,653	$ 7,565,323
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 580,424	$ 173,337
Accrued liabilities	145,764	139,875
Capital lease obligation - current portion	37,050	–
Total current liabilities	763,238	313,212
Capital lease obligation - long term	104,147	–
Total liabilities	867,385	313,212
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.001 par value, authorized 1,000,000 shares, none issued and outstanding	–	–
Common stock, $0.001 par value, authorized 50,000,000 shares, 6,755,576 and 6,408,151 shares issued and outstanding, respectively	6,756	6,408
Additional paid-in capital	16,545,508	13,878,294
Accumulated deficit	(11,731,996)	(6,632,591)
Total stockholders' equity	4,820,268	7,252,111
Total liabilities and stockholders' equity	$ 5,687,653	$ 7,565,323

See accompanying notes to interim condensed consolidated financial statements

Parametric Sound Corporation
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenues:				
Product sales	$ 211,840	$ 33,568	$ 458,901	$ 152,807
Other revenue	–	824	16,997	6,060
Total revenues	211,840	34,392	475,898	158,867
Cost of revenues	110,383	18,529	243,662	70,596
Gross profit	101,457	15,863	232,236	88,271
Operating expenses:				
Selling, general and administrative	1,431,235	1,325,857	3,791,498	2,390,455
Research and development	560,927	404,413	1,540,880	902,621
Total operating expenses	1,992,162	1,730,270	5,332,378	3,293,076
Loss from operations	(1,890,705)	(1,714,407)	(5,100,142)	(3,204,805)
Other income (expense):				
Interest income	1,811	–	7,412	–
Interest expense	(1,728)	–	(2,938)	–
Other	(1,128)	6,919	(3,737)	5,003
	(1,045)	6,919	737	5,003
Net loss	$ (1,891,750)	$ (1,707,488)	$ (5,099,405)	$ (3,199,802)
Net loss per basic and diluted common share	$ (0.28)	$ (0.27)	$ (0.78)	$ (0.66)
Weighted average common shares used to compute net loss per basic and diluted common share	6,700,258	6,328,988	6,514,620	4,872,264

See accompanying notes to interim condensed consolidated financial statements

Parametric Sound Corporation
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended June 30,	
	2013	**2012**
Cash Flows From Operating Activities:		
Net loss	$ (5,099,405)	$ (3,199,802)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	192,783	125,060
Warranty provision	14,458	7,743
Non-cash inventory reserve	(49,093)	(15,781)
Share-based compensation	1,562,560	1,408,876
Warrants issued for services	25,000	–
Non-cash research and development supplies	16,163	–
Changes in assets and liabilities:		
Accounts receivable	(150,927)	–
Prepaid expenses and other current assets	(58,279)	(17,713)
Inventories	28,042	(170,063)
Accounts payable	407,087	13,642
Accrued liabilities	(2,023)	82,959
Deferred officer compensation	–	(84,400)
Warranty settlements	(6,546)	(7,754)
Net cash used in operating activities	(3,120,180)	(1,857,233)
Cash Flows From Investing Activities:		
Capital expenditures for property and equipment	(32,320)	(69,466)
Patent costs paid	(157,353)	(25,819)
Cash paid for technology purchased from related party	–	(250,000)
Net cash used in investing activities	(189,673)	(345,285)
Cash Flows From Financing Activities:		
Proceeds from sale of common stock and warrants	–	9,240,304
Offering costs paid	–	(1,240,713)
Proceeds from exercise of warrants	942,165	–
Proceeds from exercise of stock options	137,837	166,250
Payments on capital lease obligation	(14,933)	–
Net cash provided by financing activities	1,065,069	8,165,841
Net (decrease) increase in cash	(2,244,784)	5,963,323
Cash and cash equivalents, beginning of period	5,527,647	491,764
Cash and cash equivalents, end of period	$ 3,282,863	$ 6,455,087
Supplemental Disclosure of Non-Cash Investing and Financing Information:		
Common stock issued for technology purchased from related party	$ –	$ 975,000
Equipment acquired with capital lease	139,967	–
Deferred officer compensation paid in common shares	–	140,000
Issuance costs relating to warrants issued to underwriter	–	622,729

See accompanying notes to interim condensed consolidated financial statements

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
June 30, 2013

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

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

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

Basis of Accounting

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying financial statements contain all adjustments necessary in order make the financial statements not misleading. The condensed consolidated balance sheet as of September 30, 2012 was derived from the Company's most recent audited financial statements, but does not include all disclosures provided by GAAP for complete annual financial statements. The financial statements herein should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended September 30, 2012, included in the Company's Annual Report on Form 10-K for the year ended September 30, 2012. Operating results for the three and nine months ended June 30, 2013 may not necessarily be indicative of results to be expected for any other interim period in or for the full fiscal year ending September 30, 2013.

Basis of Presentation

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

On March 21, 2012, the Company completed a 1-for-5 reverse split of its common stock. All common stock share and per share information in the accompanying interim condensed consolidated financial statements and notes thereto have been adjusted to reflect retrospective application of the reverse stock split, except for par value per share and the number of authorized shares, which were not affected by the reverse stock split.

Use of Estimates

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

Financial Instruments

At June 30, 2013, there was no difference between the carrying values of the Company's cash equivalents and fair market value. For certain financial instruments, including accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their relatively short maturities.

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

Loss Per Share

Basic loss per common share is computed by dividing net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per common share reflects the potential dilution of securities that could share in the earnings of the Company. Potential common shares relating to outstanding stock options and warrants to acquire a total of 1,497,218 and 1,641,839 shares of common stock were outstanding at June 30, 2013 and 2012, respectively. These securities are not included in the computation of diluted net loss per common share for all periods presented as their inclusion would be antidilutive due to losses incurred by the Company in such periods.

Recent Accounting Pronouncements

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

Subsequent Events

Management has evaluated events subsequent to June 30, 2013 through the date that the accompanying interim condensed consolidated financial statements were filed with the SEC for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

2. Liquidity

The Company has sustained recurring losses and negative cash flows from operations. The Company's recent operations have been funded primarily from proceeds from a secondary public offering of common stock completed in April 2012 and proceeds from the exercise of warrants and options. As of June 30, 2013 the Company had cash and cash equivalents of approximately $3.3 million and a working capital balance of approximately $3.3 million. Management believes that existing resources and planned product revenues are likely to, but may not, provide sufficient liquidity to meet current operating requirements over the next year. As a result of increased costs (including strategic transaction costs) and financing requirements of the proposed merger (see Note 12), the Company intends to seek additional financing. There can be no assurance as to the availability or terms upon which such financing and capital might be available.

3. Inventories, net

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

	June 30, 2013	September 30, 2012
Finished goods	$ 114,903	$ 143,430
Work in process	32,821	11,735
Raw materials	379,700	400,300
	527,424	555,465
Reserve for obsolescence	(62,669)	(111,761)
	$ 464,755	$ 443,704

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

The reserve for obsolescence was reduced by a $49,093 non-cash inventory reserve reduction in the nine months ended June 30, 2013 through the use of previously reserved legacy HSS inventory in the production of HSS products and prototypes. The Company expects to continue to realize non-cash inventory reserve reductions through the use of such previously reserved parts.

4. Property and Equipment, net

Property and equipment consisted of the following:

	June 30, 2013	September 30, 2012
Equipment	$ 194,566	$ 180,519
Research equipment under capital lease	139,967	–
Tooling	125,433	124,299
Furniture and office equipment	75,309	58,170
Leasehold improvements	16,266	16,266
	551,541	379,254
Accumulated depreciation	(302,775)	(202,342)
	$ 248,766	$ 176,912

Depreciation expense was $100,433 and $52,821 for the nine months ended June 30, 2013 and 2012, respectively.

5. Intangible Assets, net

Intangible assets consist of the following:

	June 30, 2013	September 30, 2012
Purchased technology	$ 1,225,000	$ 1,225,000
Patents	350,330	201,745
Defensive patents	190,213	183,498
Licenses and trademarks	17,515	15,462
	1,783,058	1,625,705
Accumulated amortization	(403,194)	(310,844)
	$ 1,379,864	$ 1,314,861

Aggregate amortization expense for the Company's intangible assets was $92,350 and $72,239 during the nine months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013 estimated intangible assets amortization expense for each of the next five fiscal years and thereafter are as follows:

Fiscal Years Ending September 30,	Estimated Amortization Expense
2013 (3 months remaining)	$ 51,592
2014	120,955
2015	115,630
2016	106,996
2017	99,529
Thereafter	885,162

6. Accrued Liabilities

Accrued liabilities consists of the following:

	June 30, 2013	September 30, 2012
Payroll and related	$ 112,055	$ 93,806
Warranty reserve	12,154	4,242
Customer deposits	682	2,187
Accrued research costs	–	32,566
Other	20,873	7,074
	$ 145,764	$ 139,875

Details of the estimated warranty liability are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Beginning balance	$ 8,501	$ 1,658	$ 4,242	$ 1,534
Warranty provision	6,134	2,690	14,458	7,743
Warranty settlements	(2,481)	(2,825)	(6,546)	(7,754)
Ending balance	$ 12,154	$ 1,523	$ 12,154	$ 1,523

7. Share-Based Compensation

On September 27, 2010 the Company adopted the 2010 Stock Option Plan (the “2010 Plan”). The 2010 Plan authorized the grant of options to purchase up to 600,000 shares of the Company’s common stock to directors, officers, employees and consultants. On December 29, 2011 the Company’s Board of Directors adopted, and stockholders subsequently approved, the 2012 Stock Option Plan (the “2012 Plan”) providing the Board of Directors with authority to grant options to purchase up to 253,000 of the shares of common stock remaining available for issuance under the 2010 Plan and up to an additional 600,000 shares of common stock. The 2012 Plan replaced the 2010 Plan but awards previously granted under the 2010 Plan remain outstanding in accordance with their terms. Any outstanding awards under the 2010 Plan that expire or terminate, other than through exercise or share settlement, will also become eligible for grant under the 2012 Plan. In August 2012, the Company’s Board of Directors approved, and stockholders subsequently approved, an amendment to the 2012 Plan, authorizing an additional 500,000 shares of common stock for issuance under the 2012 Plan. At June 30, 2013 there were 277,000 shares available to grant under the 2012 Plan, as amended.

At June 30, 2013 the Company had outstanding options to purchase up to 32,000 shares of the Company's common stock that were granted outside of the 2012 Plan.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value of each option as of its grant date or any revaluation date, and the grant date fair value is recognized as non-cash based compensation expense over the expected vesting term of options. The inputs to the Black-Scholes option-pricing model are subjective and generally require significant analysis and judgment to develop. The following table sets forth the significant weighted-average assumptions used in the Black-Scholes model and the calculation of stock-based compensation cost (annualized percentages):

	Nine Months Ended June 30,	
	2013	**2012**
Volatility	88%	90%
Risk-free interest rate	0.51%	0.98%
Forfeiture rate	3.00%	0.00%
Dividend yield	0.00%	0.00%
Expected life in years	3.41	4.75
Weighted average fair value of options granted	$7.36	$3.70

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Selling, general and administrative	$ 405,321	$ 777,434	$ 1,291,263	$ 1,214,023
Research and development	113,500	71,591	271,297	194,853
	$ 518,821	$ 849,025	$ 1,562,560	$ 1,408,876

As of June 30, 2013 total estimated compensation cost relating to stock options granted but not yet vested was approximately $2.0 million. This cost can vary with respect to non-employee options based on changes in stock price and other valuation inputs. The remaining estimated cost is expected to be recognized over the weighted average period of 1.8 years.

The following table summarizes stock option activity for the period:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (2)
Outstanding October 1, 2012	1,168,500	$ 3.93	
Granted	230,500	$ 10.70	
Canceled/expired	(64,000)	$ 10.55	
Exercised	(44,646)	$ 3.09	
Outstanding June 30, 2013 (1)	1,290,354	$ 4.84	$ 14,726,057
Exercisable June 30, 2013	776,589	$ 3.61	$ 9,816,240

(1) Options outstanding are exercisable at prices ranging from $1.50 to $16.71 per share and expire in 2015 to 2018.
(2) Aggregate intrinsic value is based on the closing price of the Company's common stock on June 30, 2013 of $16.25.

Options of Subsidiary

In February 2013, HHI adopted an equity incentive plan under which it may grant options to purchase up to 250 shares of its common stock to HHI employees, directors and consultants. HHI has 1,000 shares of common stock issued and outstanding. In February and March 2013, HHI granted to consultants and employees options, with a five year term, to purchase 140 shares of HHI common stock at an exercise price of $1,000 per share including an option to purchase 50 shares of HHI common stock granted to the Company's Executive Chairman (who also serves as the President of HHI). These option grants are subject to a combination of performance and time-based vesting, and also contain certain anti-dilution adjustment rights (which generally allow the option holders to maintain their percentage ownership in HHI during a three-year period from the date of the original option grant), as well as repurchase rights and first refusal rights in favor of HHI. At June 30, 2013 options to purchase 10 shares had vested and were exercisable.

The Company used the Black-Scholes option-pricing model to determine the estimated fair value of each option using a weighted average volatility of 72%, a weighted average risk-free interest rate of 0.68%, and expected terms of 3-5 years. The Company recorded $10,948 as option expense related to the HHI options for the period ended June 30, 2013 that is included in the consolidated share-based compensation expenses summarized above.

In August 2013, in connection with the proposed merger (see Note 12), previously granted options on 100 shares (including the 50 shares held by the Company's Executive Chairman) were amended to narrow certain performance vesting conditions and to provide that the options on such 100 shares terminate upon the closing of the merger or a specified alternative acquisition.

8. Stockholders' Equity

Summary

The following table summarizes stockholders' equity activity for the nine months ended June 30, 2013:

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at September 30, 2012	6,408,151	$ 6,408	$ 13,878,294	$ (6,632,591)	$ 7,252,111
Common shares issued upon exercise of stock options	44,617	45	137,792	–	137,837
Common shares issued upon exercise of warrants for cash	251,244	251	941,914	–	942,165
Common shares issued upon cashless exercise of warrants	51,564	52	(52)	–	–
Warrants issued to vendor for services	–	–	25,000	–	25,000
Share-based compensation expense	–	–	1,562,560	–	1,562,560
Net loss for the period	–	–	–	(5,099,405)	(5,099,405)
Balance at June 30, 2013	6,755,576	$ 6,756	$ 16,545,508	$ (11,731,996)	$ 4,820,268

Stock Purchase Warrants

The following table summarizes information on warrant activity during the nine months ended June 30, 2013:

	Number	Average Purchase Price Per Share
Shares purchasable under outstanding warrants at October 1, 2012	525,339	$ 4.48
Stock purchase warrants issued	4,200	$ 8.72
Stock purchase warrants exercised	(322,675)	$ 4.16
Shares purchasable under outstanding warrants at June 30, 2013	206,864	$ 5.06

The Company issued 4,200 warrants exercisable for five years at $8.72 per share to a corporate vendor as payment for a $25,000 obligation.

At June 30, 2013 the Company had the following share warrants outstanding exercisable for 206,864 shares of common stock at an average exercise price of $5.06 per share:

Description	Number of Common Shares	Exercise Price Per Share	Expiration Date
Stock Purchase Warrants (1)	68,756	$3.75	February 22, 2016
Stock Purchase Warrants	133,908	$5.625	March 21, 2017
Stock Purchase Warrants	4,200	$8.720	June 30, 2018

(1) Includes 20,000 warrants held by an executive officer.

Subsequent to June 30, 2013, a total of 20,763 warrants were converted pursuant to cashless net exercise features resulting in the issuance of 13,989 shares of common stock and warrants to purchase 48,756 shares of common stock were exercised resulting in cash proceeds of $182,835.

9. Commitments and Contingencies

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

The Company maintains cash and cash equivalent accounts with Federal Deposit Insurance Corporation (“FDIC”) insured financial institutions. Certain of the Company’s accounts are insured up to $250,000 by the FDIC. The Company’s exposure for amounts in excess of FDIC insured limits at June 30, 2013 was approximately $3.0 million. The Company has not experienced any losses in such accounts.

Facility Leases

The Company is committed on a facility lease in Poway, California and the remaining future annual minimum lease payment obligation under the lease is $26,440 for the three months ended September 30, 2013 and $107,887 and $107,521 for the years ending September 30, 2014 and 2015, respectively.

Capital Lease

In January 2013, with lease payments that commenced in February 2013, the Company acquired $139,967 of equipment and $16,163 of related supplies pursuant to a $156,130 capital lease. The monthly lease payment is $3,574 and aggregate future lease commitments over the remaining 43-month term was $153,680 at June 30, 2013.

Employment Agreement

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

Bonus Plan

On February 21, 2013, the Company adopted a cash bonus plan for the period January 1, 2013 to December 31, 2013, pursuant to which each of the Company's executive officers and certain other officers and consultants designated by the Board of Directors are eligible to receive a target bonus equal to a percentage of the executive officer's or other individual's annualized base compensation if applicable performance objectives were met. At June 30, 2013, the Company had accrued an aggregate of $34,187 for bonuses expected to be paid under the plan. In August 2013, in connection with the proposed merger (see Note 12), and as authorized under the cash bonus plan, the Board of Directors approved, for its three executive officers, the closing of the merger as a performance objective eligible for the maximum bonus payout for 2013.

10. Related Party Transactions

In April 2013 the Company granted an exclusive, worldwide, royalty-bearing license to use certain HHS-related intellectual property to its wholly-owned subsidiary HHI. On July 23, 2013, the Company entered into an amended and restated license agreement with HHI to narrow the scope of the license such that the intellectual property and technology licensed thereunder may be used by HHI solely for, and in connection with, the use, testing, manufacture, marketing, sale, offering for sale, commercialization, distribution and servicing of products in the medical device field and no longer for the "personal sound amplification product" field. The license term runs until the expiration of the last patent owned or licensed. HHI is required to pay royalties to the Company of (i) 15% of all cash and non-cash revenues from any source, including net sales, of the licensed products and (ii) 30% of all cash and non-cash consideration received by HHI from third party license agreements, joint ventures and co-development agreements. If the amount of royalties is less than $1,000,000 before the earlier to occur of (i) April 4, 2017 and (ii) HHI's procurement of aggregate equity based financing of $20,000,000, then HHI must pay the Company $1,000,000 in royalties; and if the amount of royalties is less than $500,000 in any year following the fourth year of the term, then HHI must pay $500,000 in royalties for each such year.

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

11. Major Customers

For the nine months ended June 30, 2013, revenues from two customers accounted for 41% and 29% of revenues, respectively, with no other single customer accounting for more than 10% of revenues. As the Company offers credit to a limited number of customers, at June 30, 2013, accounts receivable from three customers accounted for 64%, 24% and 10%, respectively, of total accounts receivable.

For the nine months ended June 30, 2012, revenues from two customers accounted for 38% and 21% of revenues, respectively, with no other single customer accounting for more than 10% of revenues. The Company had no accounts receivable at June 30, 2012.

12. Subsequent Events

See Notes 7, 8, 9 and 10 for additional subsequent event information.

Agreement and Plan of Merger

On August 5, 2013, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with VTB Holdings, Inc. ("Turtle Beach"). The Merger Agreement provides, that upon the terms and subject to the conditions of the Merger Agreement a wholly-owned subsidiary of the Company will merge with and into Turtle Beach resulting in Turtle Beach becoming a wholly-owned subsidiary of the Company (the "Merger"). At the effective time of the Merger, the Company will issue shares of common stock to the former Turtle Beach stockholders which, together with options to purchase shares of Turtle Beach common stock that will be converted into options to purchase shares of the Company's common stock (and will be assumed by the Company at the effective time of the Merger), will represent approximately 80% of the Company's common stock on a fully-diluted basis after the Merger, subject to adjustment pursuant to the Merger Agreement. Certain redeemable, non-convertible preferred stock of Turtle Beach with a stated value of $12,000,000, plus dividends accrued but unpaid thereon, as well as certain phantom stock units of Turtle Beach, will remain outstanding following the Merger and will not be exchanged for Company common stock.

The Merger Agreement requires the Company to cause, as of the effective time of the Merger, the size of the Company's Board of Directors to consist of a total nine members, initially to be comprised of five individuals identified by Turtle Beach and two individuals identified by the Company, and two vacancies.

The Merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The consummation of the Merger is subject to a number of conditions, including, but not limited to, (i) adoption and approval of the Merger Agreement and the Merger by Company's stockholders in accordance with NASDAQ rules, (ii) the approval of the continued listing application by NASDAQ, (iii) the completion of a qualifying capital raising transaction through the incurrence of debt or the issuance of equity by the Company, with net proceeds of at least $5,000,000, (iv) and certain other closing conditions. The exchange ratio is subject to potential adjustment as described in the Merger Agreement depending upon the amount of qualifying equity proceeds (minimum of $5 million to maximum of $15 million), if any, obtained by the Company prior to closing of the Merger.

Each of the Company and Turtle Beach have made customary representations, warranties and covenants in the Merger Agreement, including among others, covenants that: (i) each party will conduct its business in the ordinary course consistent with past practice during the interim period between the execution of the Merger Agreement and the consummation of the Merger; (ii) each party will not engage in certain kinds of transactions or take certain actions during such period, and (iii) the Company will convene and hold a meeting of its stockholders for the purpose of considering the adoption and approval of the Merger Agreement and the transactions contemplated thereby and the board of directors of the Company will recommend that its stockholders adopt and approve the Merger Agreement and the Merger, subject to certain exceptions. After a period of 30 days, the Company also has agreed not to solicit proposals relating to alternative business combinations or enter into discussions or an agreement concerning any proposals for alternative business combinations, subject to exceptions in the event of the Company's receipt of a "superior proposal."

The Merger Agreement contains certain termination rights in favor of each of the Company and Turtle Beach under specified circumstances. Upon termination in specified circumstances (including, but not limited to, in the event that the Board of Directors of the Company changes its recommendation that its stockholders approve the principal terms of the Merger Agreement and the Merger, or elects to pursue a superior proposal from a third party), (i) the Company may be required to pay to Turtle Beach a termination fee of $1,000,000 and/or enter into a license agreement with Turtle Beach with respect to certain Company intellectual property for use in console audio products on an exclusive basis and computer audio products on a non-exclusive basis, or (ii) Turtle Beach may be required to pay the Company a termination fee of $1,000,000. The Merger Agreement may be terminated by either party if the Merger has not occurred on or prior to February 28, 2014.

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

You should read the following discussion and analysis in conjunction with the financial statements and other financial information included elsewhere in this Quarterly Report on Form 10-Q. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. See "Cautionary Note Regarding Forward-Looking Statements and Other Information" above. For additional context with which to understand our financial condition and results of operations, see the discussion and analysis included in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, filed with the SEC on November 28, 2012, as well as the consolidated financial statements and related notes contained therein.

Business Overview

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

We are seeking to expand into new markets through both product sales and licensing. Our licensing strategy is to identify large or high-growth markets, develop needed technology solutions and features, and work with established industry participants and OEMs to make products incorporating our technologies widely available to consumers.

Recent Strategic Developments

Agreement and Plan of Merger

On August 5, 2013, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with VTB Holdings, Inc., ("Turtle Beach"). The Merger Agreement provides, that upon the terms and subject to the conditions of the Merger Agreement our wholly-owned subsidiary will merge with and into Turtle Beach resulting in Turtle Beach becoming our wholly-owned subsidiary (the "Merger"). At the effective time of the Merger, we will issue shares of common stock to the former Turtle Beach stockholders which, together with options to purchase shares of Turtle Beach common stock that will be converted into options to purchase shares of our common stock (and will be assumed by us at the effective time of the Merger), will represent approximately 80% of our common stock on a fully-diluted basis after the Merger subject to adjustment pursuant to the Merger Agreement. Certain redeemable, non-convertible preferred stock of Turtle Beach with a stated value of $12,000,000, plus dividends accrued but unpaid thereon, as well as certain phantom stock units of Turtle Beach, will remain outstanding following the Merger and will not be exchanged for our common stock.

The Merger Agreement requires us to cause, as of the effective time of the Merger, the size of our Board of Directors to consist of a total nine members, initially to be comprised of five individuals identified by Turtle Beach and two individuals identified by us, and (iii) two vacancies.

The Merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The consummation of the Merger is subject to a number of conditions, including, but not limited to, (i) adoption and approval of the Merger Agreement and the Merger by our stockholders in accordance with NASDAQ rules, (ii) the approval of the continued listing application by NASDAQ, (iii) the completion of a qualifying capital raising transaction through the incurrence of debt or the issuance of equity by us, with net proceeds of at least $5,000,000, (iv) and certain other closing conditions. The exchange ratio is subject to potential adjustment as described in the Merger Agreement depending upon the amount of qualifying equity proceeds (minimum of $5 million to maximum of $15 million), if any, obtained by us prior to closing of the Merger.

We and Turtle Beach have each made customary representations, warranties and covenants in the Merger Agreement, including among others, covenants that: (i) each party will conduct its business in the ordinary course consistent with past practice during the interim period between the execution of the Merger Agreement and the consummation of the Merger; (ii) each party will not engage in certain kinds of transactions or take certain actions during such period, and (iii) we will convene and hold a meeting of its stockholders for the purpose of considering the adoption and approval of the Merger Agreement and the transactions contemplated thereby and our board of directors will recommend that our stockholders adopt and approve the Merger Agreement and the Merger, subject to certain exceptions. After a period of 30 days we have also has agreed not to solicit proposals relating to alternative business combinations or enter into discussions or an agreement concerning any proposals for alternative business combinations, subject to exceptions in the event of our receipt of a "superior proposal."

The Merger Agreement contains certain termination rights in favor of each party under specified circumstances. Upon termination in specified circumstances (including, but not limited to, in the event that our Board of Directors changes its recommendation that our stockholders approve the principal terms of the Merger Agreement and the Merger, or elects to pursue a superior proposal from a third party), (i) we may be required to pay to Turtle Beach a termination fee of $1,000,000 and/or enter into a license agreement with Turtle Beach with respect to certain of our intellectual property for use in console audio products on an exclusive basis and computer audio products on a non-exclusive basis, or (ii) Turtle Beach may be required to pay us a termination fee of $1,000,000. The Merger Agreement may be terminated by either party if the Merger has not occurred on or prior to February 28, 2014.

Voting, Lock-Up and Registration Rights Agreements

Concurrently and in connection with the execution of the Merger Agreement, all of Turtle Beach's stockholders ("Stockholder Group"), entered into a Stockholder Agreement with us providing for certain voting, lock-up, registrations rights and other provisions. Pursuant to the Stockholder Agreement each stockholder agreed to vote its shares of common stock received in the Merger to elect director nominees appointed by the largest stockholder of the group. The members of the Stockholder Group have also agreed not to sell or transfer any shares for six months following the Merger. The Stockholder Agreement further grants the largest stockholder of the group demand registration rights and all members piggyback registration rights as described in the Stockholder Agreement. These registration rights and certain other provisions are effective only upon the closing of the Merger.

In addition, our three executive officers entered into voting agreements with Turtle Beach pursuant to which they: (i) are subject to a lock-up restriction whereby they have agreed not to sell or otherwise transfer the shares of our common stock beneficially owned by them for a period of time commencing on the date of the agreement and ending six months following the closing of the Merger, subject to certain exceptions; and (ii) they have agreed to vote their currently held shares of our common stock in favor of the Merger Agreement and the Merger. The shares subject to these voting agreements represented approximately 19.4% of the outstanding shares of our common stock as of August 5, 2013.

Additional Business Development Information

During the third quarter of fiscal 2013 we expended approximately $295,000 of strategic transaction costs consisting primarily of legal, accounting and investment banking fees and expenses related to reviewing strategic opportunities and preparing for the merger transaction describe above. We expect to incur additional costs related to the Merger during the fourth quarter of our fiscal year ending September 30, 2013 and until its closing or the termination of the Merger Agreement. See Part II, "Item 1A. Risk Factors" of this report for more information.

We believe we are experiencing positive response to our licensing initiative and increased acceptance of our HSS-3000 commercial products. We believe we have a solid technology and product foundation, and we are targeting new markets and applications for business growth. We also believe we have strong commercial, consumer and health care market opportunities worldwide. We expect increased product sales during the balance of fiscal 2013 and in 2014 and we anticipate future results from our licensing initiative.

During 2012 we identified health care as an additional target market for HSS applications as a result of consumer preference surveys indicating that persons with normal and impaired hearing reported greater clarity of sound from HSS compared to standard speakers. In May 2013, we announced results from initial clinical testing that confirmed preference testing outcomes with more than 70% of persons with hearing loss preferring the clarity of HSS, with many reporting dramatic improvement in hearing and clarity. We are developing product designs, continuing research in this area and preparing applicable regulatory filings to seek clearance to sell HSS products as medical devices targeting the hearing impaired.

We are unable to predict the level of future product sales in our current or new markets or the timing of future licensing revenues, if any. We are also unable to predict the acceptance of our technology or resulting products by consumers as we target new commercial, consumer and healthcare markets through product sales or licensing.

We face significant challenges in growing our business in existing and targeted markets. The continued global economic downturn could increase the challenges in operating our business. We expect we will need to continue to innovate new applications for our sound technology, develop new products to meet customer requirements and identify and develop new markets for our products and planned licensing activities.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our financial statements located in Item 1 of Part I, “Financial Statements,” and in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report of Form 10-K for the year ended September 30, 2012 filed with the SEC. The preparation of these financial statements, prepared in accordance with accounting principles generally accepted in the United States, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to valuation of accounts receivable and inventory, warranty liabilities, impairment of intangible assets, contingencies, the grant date fair value of stock options and warrants, share-based compensation expense, valuation of acquired intangible assets and valuation allowance related to deferred tax assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Some of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition, warranty liabilities, impairments, share-based compensation and valuation of acquired intangible assets. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results. There were no significant changes or modification of our critical accounting policies and estimates involving management valuation adjustments affecting our results for the nine months ended June 30, 2013. For further information on our critical accounting policies, refer to Note 1 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Segment and Related Information

We operate as a single reportable segment on an enterprise-wide basis. We generate revenue by selling our technology-based products and expect future licensing revenues from such technology.

Results of Operations

Comparison of Results of Operations for the Three Months Ended June 30, 2013 and 2012

The following is a discussion of the results of our operations for the three months ended June 30, 2013 and 2012.

Revenues

Revenues were $211,840 for the three months ended June 30, 2013 representing a 516% increase over revenues of $34,392 for the comparable three months of the prior year ended June 30, 2012. The increase resulted from both new customers and increased shipments to prior customers. In June 2012 we formed a wholly-owned subsidiary, PSC Licensing Corp. to engage in technology licensing activities. We have no licensing revenues to date.

We are pursuing new customers for our HSS-3000 product line, focusing on larger volume commercial applications for the digital signage, retail store, kiosk, and point-of-sale terminal markets. We are also pursuing business development activities related to additional commercial and other consumer applications of our technology, including health care applications. We expect increased product sales during the balance of fiscal 2013 and in 2014 and new licensing and/or co-development arrangements pursuant to our licensing initiative, but we are unable to predict the level of future product sales or the timing of future licensing revenues, if any.

Cost of Revenues and Gross Profit

Gross profit for the three months ended June 30, 2013 was $101,457 (48% of revenues) compared to $15,863 (46% of revenues) for the three months ended June 30, 2012. The margin in each respective period was positively impacted from usage of parts valued at $18,632 and $3,091 respectively, that had inventory obsolescence and excess parts allowances recorded in prior periods. We continue to develop and implement volume pricing and production strategies, product updates and changes, including raw material and component changes that may impact margins. With such product updates and changes we have limited warranty cost experience and estimated future warranty costs can impact our gross margins. Due to our limited sales and manufacturing history, we do not believe that historical gross profit margins should be relied upon as an indicator of future gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2013 were $1,431,235, including non-cash share based compensation expenses of $405,321. This compares to $1,325,857, including $777,434 of non-cash share based compensation expenses, during the comparable prior-year period ended June 30, 2012. We expect to report significant amounts of non-cash share based compensation expense in future periods from vesting of existing option grants and the possibility of new grants.

During the three months ended June 30, 2013, we incurred $295,000 of strategic transaction costs consisting primarily of legal, accounting and investment banking fees and expenses related to reviewing strategic opportunities. No such costs were incurred in the comparable quarter of the prior year. We expect to incur additional merger-related costs in the fourth quarter but the timing and amounts could vary depending on future events, some not in our control.

Other major cost categories for the three months ended June 30, 2013 included compensation and consulting-related costs of $384,000 (excluding non-cash share based compensation expenses), travel and related costs of $75,000, professional fees of $80,000, public company costs of $96,000, trade show and promotion expenses of $26,000 and occupancy costs of $20,000. Our staffing increased from twelve to fifteen persons between the two periods and we increased the use of outside consultants resulting in a $60,000 increase in compensation costs between periods. Our travel related costs increased $46,000 primarily related to increased sales and business development activities. Public company costs increased $23,000 primarily as a result of the engagement of a corporate public relations firm and increased filing costs.

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2013 were $560,927, compared to $404,413 for the comparable period ended June 30, 2012. These research and development expenses included non-cash share based compensation expenses of $113,500 and $71,591, respectively.

Major cost categories for the most recent quarter included personnel and consultancy costs of $352,000 (excluding non-cash share based compensation expenses), $68,000 of prototype and testing costs, $35,000 of technical and testing costs associated with our subsidiary HHI, occupancy costs of $30,000 and patent costs and patent, technology and fixed asset amortization and depreciation costs of $63,000.

We added research and development personnel and as a result personnel and consultancy costs increased $102,000 during the most recent quarter compared to the quarter ended June 30, 2012.

The scope and magnitude of our future research and development expenses are difficult to predict as the amounts required for future product development costs are difficult to estimate but could be substantial.

Net Loss

Net loss for the three months ended June 30, 2013 and 2012 was $1,891,750 and $1,707,488, respectively. The most recent period loss included $518,821 of non-cash share-based compensation expenses compared to $849,025 for the prior year's third quarter. We expect to incur additional net losses until we are able to grow revenues to generate sufficient margins to cover operating costs.

Comparison of Results of Operations for the Nine Months Ended June 30, 2013 and 2012

The following is a discussion of the results of our operations for the nine months ended June 30, 2013 and 2012.

Revenues

Revenues were $475,898 for the nine months ended June 30, 2013 representing a 200% increase over revenues of $158,867 for the comparable nine months of the prior year ended June 30, 2012. The increase resulted from both new customers and increased shipments to prior customers.

Cost of Revenues and Gross Profit

Gross profit for the nine months ended June 30, 2013 was $232,236 (49% of revenues) compared to $88,271 (55% of revenues) for the nine months ended June 30, 2012. The margin in each respective period was positively impacted from usage of parts valued at $40,645 and $9,915 respectively, that had inventory obsolescence and excess parts allowances recorded in prior periods. We do not believe that historical gross profit margins should be relied upon as an indicator of future gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended June 30, 2013 were $3,791,498, including non-cash share based compensation expenses of $1,291,263. This compares to $2,390,455, including $1,214,023 of non-cash share based compensation expenses, during the nine months ended June 30, 2012. We expect to report significant amounts of non-cash share based compensation expense in future periods from vesting of existing option grants and the possibility of new grants.

During the nine months ended June 30, 2013, we incurred $295,000 of strategic transaction costs consisting primarily of legal, accounting and investment banking fees and expenses related to reviewing strategic opportunities. No such costs were incurred in the comparable nine months of the prior year. Compensation and consulting costs of $1,138,000 (excluding non-cash share based compensation expenses) for the nine months ended June 30, 2013 represented an increase of $448,000 over the prior year's first nine months and resulted from increased personnel and outside consultants. Travel and related costs increased from $46,000 to $189,000 due to sales and marketing efforts to expand our commercial business and pursue licensing. Public company costs increased from $167,000 to $292,000 primarily as a result of the engagement of a corporate public relations firm, an increase in annual meeting and filing costs this year and increased director and officer insurance costs. Professional fees increased from $171,000 to $331,000 primarily due to increases in legal costs related to our HHI subsidiary and other corporate and licensing activity.

Research and Development Expenses

Research and development expenses for the nine months ended June 30, 2013 were $1,540,880, compared to $902,621 for the comparable period ended June 30, 2012. These research and development expenses included non-cash share based compensation expenses of $271,297 and $194,853, respectively.

We added research and development personnel and our personnel and consultancy costs of $720,000 (excluding non-cash compensation costs) during the most recent nine months accordingly increased by $357,000 compared to the nine months ended June 30, 2012, primarily due to increased personnel and outside consulting activities. We incurred $184,000 of prototype and testing costs, compared to $162,000 for the prior year period. We incurred $79,000 of FDA development and testing costs related to HHI activities during the nine months ended June 30, 2013 with no comparable amount for the prior year period. Patent costs and patent, technology and fixed asset amortization and depreciation costs increased by $45,000 compared to the first nine months of the prior year as a result of purchased technology amortization, increased patent filings and new assets being depreciated.

Net Loss

Net loss for the nine months ended June 30, 2013 and 2012 was $5,099,405 and $3,199,802, respectively. The most recent period loss included $1,562,560 of non-cash share-based compensation expenses compared to $1,408,876 for the prior year's first nine months.

Liquidity and Capital Resources

Overview

At June 30, 2013 we had cash of $3.3 million and our current assets exceeded our current liabilities by $3.3 million. Other than cash, accounts receivable and inventory, we have no unused sources of liquidity at this time.

Cash Flows

Operating Activities

Net cash used in operating activities was $3,120,180 and $1,857,233 for the nine months ended June 30, 2013 and 2012, respectively. The overall increase of $1,262,947 between the two periods was primarily related to the increase of $1,899,603 in net loss between periods ($153,681 of which increase related to non-cash expenses), but was also affected by an increase in the growth of accounts receivable during the nine months ended June 30, 2013 of $150,927 and prepaid expenses of $58,279 and reduced by a $407,087 increase in accounts payable.

Investing Activities

We used cash of $32,320 for property and equipment purchases and $157,353 for patent costs during the nine months ended June 30, 2013. We acquired $139,967 of equipment and $16,163 of supplies through a capital lease. We have no material commitments for future capital expenditures but expect to continue to incur patent costs in the future.

Financing Activities

During the nine months ended June 30, 2013 we obtained $942,165 from the exercise of warrants. During the nine months ended June 30, 2013 and 2012, we obtained $137,837 and $166,250, respectively, from the exercise of stock options. During the nine months ended June 30, 2012, we obtained $8.0 million net proceeds from a secondary public offering. During the most recent nine months, we made payments reducing our capital lease obligation of $14,933.

Capital Requirements

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

- the timing, cost and successful completion of our proposed merger with Turtle Beach;
- market acceptance of our products and our ability to grow revenues;
- the costs, timing and outcome of production and regulatory compliance of our products;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our issued patents and defending any future intellectual property-related claims;
- the costs and timing of additional product development and marketing efforts;
- the future costs related to the proposed merger or alternative strategic transactions; and
- the costs, timing and outcome of any future warranty claims or litigation against us associated with any of our products.

Based on our expectation of continued revenue growth and our current planned expenditures (excluding strategic transaction costs), we project that our current cash reserves and future product sale margins are likely to, but may not, be sufficient to finance our operations through the next twelve months at current operating levels. However, actual results could differ significantly from management plans. Should our revenues not generate sufficient margins as planned, or should we elect to increase expenditures for sales, marketing, research or administration then we may be required to seek additional capital to meet such costs. Additionally, as a result of increased costs (including strategic transaction costs) and financing requirements of the proposed merger we intend to seek additional financing irrespective of whether the merger closes. A condition to closing the merger requires us to obtain a minimum of $5 million of qualified proceeds by the closing date. We may also be required to pay to Turtle Beach a termination fee of $1 million if the merger agreement is terminated by us or otherwise under certain circumstances, some outside of our control. Accordingly, we estimate that we will need a minimum of $2 million of additional financing for the next twelve months should the merger agreement be terminated under certain conditions and $5 million of additional financing otherwise, including to meet the pertinent closing condition in the merger agreement. Potential sources of future funds include proceeds from the exercise of outstanding options and warrants, debt financing or new equity offerings. Any future sale or issuance of equity securities could result in dilution to current or future stockholders. There is no assurance that options and warrants will be exercised or that debt or equity financing will be available if and when needed and in sufficient amounts to meet the requirements of the merger, pay the costs of the merger or to sustain operations should the merger not close.

Other than the uncertainties regarding the costs of the proposed merger, we are not aware of any trends or potential events that are likely to adversely impact our short-term liquidity through this term.

Contractual Obligations

Other than aggregate facility and office lease payments of approximately $10,500 per month, the equipment capital lease of $3,574 per month and our employment agreement with our Executive Chairman, we have no material contractual obligations.

Off-Balance Sheet Transactions

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

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the nine-month period ended June 30, 2013, or subsequently thereto, that we believe are of potential significance to our financial statements.

Item 3. Qualitative and Quantitative Disclosures about Market Risk.

As a smaller reporting company (as such term is defined under Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K), we are electing to follow the scaled disclosure reporting obligations available to a smaller reporting company and therefore are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

At the conclusion of the period ended June 30, 2013, we carried out an evaluation, under the supervision and with the participation of our Executive Chairman (our principal executive officer, or PEO) and our Chief Financial Officer (our principal financial officer, or PFO), of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our PEO and PFO concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, were effective at the reasonable assurance level as of June 30, 2013.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

We are affected by risks specific to us as well as factors that affect all businesses. In addition to the other information set forth in this report, careful consideration should be taken of the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2012 that could materially and adversely affect our business, financial position, results of operations, cash flows and stock price. There have been no material changes or additions to those risk factors, except as described below:

The announcement and pendency of the Merger could have an adverse effect on our stock price and/or our business, financial condition, results of operations or business prospects.

The announcement and pendency of the Merger has had and could continue to have an adverse effect on our stock price and increase the price volatility and risk of trading in our stock. Our business, financial condition, results of operations or business prospects could also be adversely effected. For example, third parties may seek to terminate and/or renegotiate their relationships with us as a result of the Merger, whether pursuant to the terms of their existing agreements or otherwise. Potential licensees and commercial customers may decide not to continue discussions with us. In addition, the attention of our management may be directed toward the completion of the Merger and related matters and may be diverted from the day-to-day business operations, including from other opportunities that otherwise might be beneficial to us.

Failure to complete the Merger could impact negatively our business, financial condition or results of operations or our stock price.

The completion of the Merger is subject to a number of conditions and there can be no assurance that the conditions to the completion of the Merger will be satisfied. If the Merger is not completed, we will be subject to several risks, including:

- the current trading price of our common stock may reflect a market assumption that the Merger will occur, meaning that a failure to complete the Merger could result in a decline in the price of our common stock;
- certain of our executive officers and/or directors may seek other employment opportunities, and the departure of any of our executive officers and the possibility that the company would be unable to recruit and hire an executive could impact negatively our business and operating results;
- our board of directors will need to reevaluate our strategic alternatives, which alternatives may include a sale of the company, liquidation of the company, a return to pre-merger strategies of seeking licensing candidates and growing commercial sales, or other strategic transactions;
- we may be required to reimburse Turtle Beach a termination fee of $1,000,000 and/or pay a reimbursement consisting of a license agreement to Turtle Beach for certain of our intellectual property for use in console audio products on an exclusive basis and computer audio products on a non-exclusive basis if the Merger Agreement is terminated by us or otherwise under certain circumstances outside our control;
- we expect to incur substantial transaction costs in connection with the Merger whether or not the Merger is completed;
- we would not realize any of the anticipated benefits of having completed the Merger; and
- under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to the completion of the Merger, which restrictions could adversely affect our ability to realize our business strategies or take advantage of certain business opportunities.

If the Merger is not completed, these risks may materialize and affect materially and adversely our business, financial condition, results of operations or stock price.

The issuance of shares of our common stock to Turtle Beach stockholders in connection with the Merger will dilute substantially the voting power of our current stockholders.

Pursuant to the Merger Agreement, at the effective time of the Merger, we will issue shares of common stock to the former Turtle Beach stockholders which, together with options to purchase shares of Turtle Beach common stock that will be converted into options to purchase shares of our common stock (and will be assumed by us at the effective time of the Merger), will represent approximately 80% of our common stock on a fully-diluted basis after the Merger, subject to adjustment pursuant to the Merger Agreement. Accordingly, the issuance of shares of our common stock to Turtle Beach stockholders in connection with the Merger will reduce significantly the relative voting power of each share of our common stock held by our current stockholders. Consequently, our stockholders as a group will have significantly less influence over the management and policies of the combined company after the Merger than prior to the Merger.

The Merger is conditioned on additional debt or equity financing by us and the exchange ratio in the Merger Agreement is subject to adjustment based on qualifying proceeds from equity sales prior to completion of the Merger.

Subject to the terms and conditions of the Merger Agreement, to the extent required by Turtle Beach's third party lender(s), we will be required to obtain a minimum of $5 million of qualifying debt or equity proceeds. At the effective time of and as a result of the Merger, each share of capital stock of Turtle Beach issued and outstanding immediately prior to the effective time of the Merger will be converted into the right to receive a number of shares of our common stock, as determined pursuant to the exchange ratios described in the Merger Agreement. The exchange ratio is subject to potential adjustment as described in the Merger Agreement depending upon the amount of qualifying equity proceeds obtained by us, as defined in the Merger Agreement, prior to closing of the Merger. If we do not obtain a minimum of $5 million of qualifying equity proceeds our ownership will be approximately 19%. We anticipate that we will obtain a minimum of $5 million of qualifying equity proceeds and the percentage ownership of our stockholders will be approximately 20%. Our ownership will be further increased 0.15% for each $1 million of additional net equity proceeds up to a maximum of $15 million and these adjustments would correspondingly dilute the ownership of the current Turtle Beach stockholders in the company after the Merger. There can be no assurance that we can obtain qualifying debt or equity proceeds to meet the closing condition. The securities that may be issued to obtain any such proceeds could also be dilutive to current stockholders.

The exchange ratio is not adjustable based on the market price of our common stock and if the market price of our common stock fluctuates, the market value of the shares of each party to the Merger can change prior to the completion of the Merger.

The aggregate number of shares of our common stock to be issued to Turtle Beach stockholders at closing of the Merger together with options assumed by us pursuant to the Merger, is expected to result in Turtle Beach security holders owning approximately 78.5% to 81% of the outstanding shares of common stock of the combined company as of immediately following the completion of the Merger. The exchange ratio, as such ratio is calculated pursuant to the formula set forth in the Merger Agreement, is based on the fully diluted number of shares of our common stock and Turtle Beach capital stock outstanding as of immediately prior to the completion of the Merger, and in our case, the amount of qualifying equity proceeds. No adjustments to the exchange ratio will be made based on changes in the trading price of our common stock or the value of Turtle Beach capital stock prior to the completion of the Merger. Changes in the trading price of our common stock or the value of Turtle Beach capital stock may result from a variety of factors, including, among others, general market and economic conditions, changes in our or Turtle Beach's respective businesses, operations and prospects, market assessment of the likelihood that the Merger will be completed as anticipated or at all, and regulatory considerations. Many of these factors are beyond our or Turtle Beach's control. As a result, the value of the shares of our common stock issued to Turtle Beach stockholders in connection with the Merger could be substantially less or substantially more than the current market value of our common stock. Likewise such factors including those related to Turtle Beach could affect the value of our common stock prior to closing of the Merger.

The exchange ratios are not adjustable based on issuances by us of additional shares of our common stock either upon the exercise of options or warrants or issuance of certain new securities or otherwise, and any new issuances could result in additional dilution to the our current stockholders.

As of the date of the Merger Agreement, we had 6,769,051 shares of common stock outstanding and outstanding options to purchase an aggregate of 1,365,354 shares of our common stock and warrants to purchase an aggregate of 186,864 shares of our common stock. Subject to certain conditions in the Merger Agreement, we are not prohibited from issuing additional equity securities, including securities issued pursuant to the exercise of outstanding options or warrants or the granting of new stock options or the issuance of new securities related to a qualified offering or otherwise. It is possible that prior to the completion of the Merger we may grant additional stock options or issue additional equity securities. The exchange ratio in the Merger Agreement, which is designed to result in the issuance by us of shares of our common stock such that Turtle Beach security holders will hold (on a fully diluted basis, including options), approximately 78.5% to 81% percent of the outstanding shares of our common stock post-Merger. The exchange ratio is not adjustable based on issuances by us of additional shares of our common stock, or an increase in our fully diluted shares by issuance of additional stock options or warrants. Therefore, any such new issuances by us, other than qualifying equity proceed related issuances, could result in additional dilution to our current stockholders. The final number of shares to be issued to Turtle Beach stockholders will not be determined until closing of the Merger.

We have incurred and will continue to incur significant transaction costs in connection with the Merger, some of which will be required to be paid even if the Merger is not completed.

We have incurred and will continue to incur significant transaction costs in connection with the Merger. These costs are primarily associated with the fees of attorneys and accountants and our financial advisor. Many of these costs will be paid even if the Merger is not completed. In addition, if the Merger Agreement is terminated due to certain triggering events specified in the Merger Agreement, we may be required to pay Turtle Beach a termination fee of $1,000,000 and may be required to pay a reimbursement consisting of a license agreement for our technology for certain markets.

The Merger Agreement and certain related voting agreements contain provisions that could discourage or make it difficult for a third party to acquire us prior to the completion of the Merger.

The Merger Agreement contains provisions that may make it difficult for us to entertain a third-party proposal for an acquisition. These provisions include:

- certain prohibitions on our soliciting or engaging in discussions or negotiations regarding any alternative acquisition proposal outside a limited 30 day period; and
- the requirement that we pay Turtle Beach a termination fee of $1,000,000 and pay a reimbursement consisting of a license agreement for our intellectual property for certain markets under certain circumstances; and

Pursuant to agreements entered into between Turtle Beach and our three executive officers, each executive officer is subject to a voting agreement, pursuant to which he has agreed to vote in favor of the approval and adoption of the Merger Agreement and the transactions contemplated thereby and vote against other acquisition proposals defined in the agreement. These provisions might discourage an otherwise interested third party from considering or proposing an acquisition of us, even one that may be deemed of greater value than the Merger to our stockholders. Furthermore, even if a third party elects to propose an acquisition, the concept of a termination and reimbursement fee may result in that third party offering a lower value to our stockholders than such third party might otherwise have offered.

Because the lack of a public market for Turtle Beach's outstanding shares makes it difficult to evaluate the fairness of the Merger, Turtle Beach stockholders may receive consideration in the Merger that is greater than the fair market value of the Turtle Beach shares.

Turtle Beach is privately held and its outstanding capital stock is not traded in any public market. The lack of a public market makes it difficult to determine the fair market value of Turtle Beach or its shares of capital stock. Since the percentage of our equity to be issued to the Turtle Beach stockholders was determined based on negotiations between the parties, it is possible that the value of the our common stock to be issued in connection with the Merger will be greater than the fair market value of Turtle Beach.

The Merger will result in changes to our board of directors and the combined company may pursue different strategies than we may have pursued independently.

If the Merger is completed, the composition of the board of directors will change in accordance with the Merger Agreement. Following completion of the Merger, the combined company's board of directors is expected to consist of nine members initially to be comprised of two appointed by us and five directors appointed by Turtle Beach and two vacancies. Currently, it is anticipated that the combined company will continue to advance the product development efforts and business strategies of both companies. However, because the composition of the board of directors of the combined company will be controlled by directors from Turtle Beach, the combined company may determine to pursue certain business strategies that we would not have pursued independently.

Ownership of the combined company's common stock will be highly concentrated, and it may prevent our stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause the combined company's stock price to decline.

Upon completion of the Merger, certain Turtle Beach stockholders acting as a group are expected to beneficially own or control a significant majority of the combined company. Accordingly, these stockholders, acting as a group pursuant to a voting agreement, will have substantial influence over the outcome of corporate actions of the combined company requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of the combined company's assets or any other significant corporate transaction. These stockholders also may exert influence in delaying or preventing a change in control of the combined company, even if such change in control would benefit the other stockholders of the combined company. In addition, the significant concentration of stock ownership may affect adversely the market value of the combined company's common stock due to investors' perception that conflicts of interest may exist or arise.

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

On April 9, 2013, we issued an aggregate of 26,176 shares of common stock to one investor upon the conversion of a warrant to purchase an aggregate of 36,510 shares of common stock at an exercise price of $5.625 per share. The fair market value of the common stock determined in accordance with the warrant on the date of conversion was $19.87 per share.

On May 17, 2013, we issued an aggregate of 24,888 shares of common stock to one investor upon the conversion of a warrant to purchase an aggregate of 34,184 shares of common stock at an exercise price of $5.625 per share. The fair market value of the common stock determined in accordance with the warrant on the date of conversion was $20.69 per share.

On July 15, 2013 we issued an aggregate of 13,475 shares of common stock to one investor upon the conversion of a warrant to purchase an aggregate of 20,000 shares of common stock at an exercise price of $5.625 per share. The fair market value of the common stock determined in accordance with the warrant on the date of conversion was $17.24 per share.

On August 7, 2013 we issued an aggregate of 514 shares of common stock to one investor upon the conversion of a warrant to purchase an aggregate of 763 shares of common stock at an exercise price of $5.625 per share. The fair market value of the common stock determined in accordance with the warrant on the date of conversion was $17.22 per share.

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

On June 30, 2013 we issued an aggregate of 4,200 warrants to a corporate vendor as settlement of a $25,000 vendor obligation. The warrants were issued in reliance upon the exemption provided by Section 4(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Appointment of Compensation Committee

Effective as of July 1, 2013, our board of directors appointed a compensation committee comprised of James L. Honore, Robert M. Kaplan and Andrew Wolfe. The compensation committee operates under a charter which sets forth its duties and responsibilities, which is available on our website at www.parametricsound.com.

Executive Compensation Decisions

On August 2, 2013, our board of directions, upon the recommendation of the compensation committee, took the following actions:

- The board of directors determined that the Company Cash Bonus Plan for the period January 1, 2013 to December 31, 2013, as disclosed under Item 5.02 of the Form 8-K we filed with the SEC on February 25, 2013 (which disclosure is incorporated herein by reference), be revised such that the target bonuses for each of our executive officers (Messrs. Potashner, Barnes and Norris) would be achieved in full upon the closing of the proposed merger with Turtle Beach. See Part I, Item 2 (MD&A – Recent Strategic Developments – Agreement and Plan of Merger) for more information regarding the proposed merger.

- The board of directors determined that the stock options held by Messrs. Barnes and Norris would vest in full upon a change of control of our company followed by such executive's departure from the company under certain circumstances thereafter ("double trigger" vesting).

This disclosure is provided in lieu of disclosure under Item 5.02(e) of Form 8-K.

HHI – Amendment and Restatement of Stock Option Held by Mr. Potashner

On August 5, 2013, HHI and Mr. Potashner agreed to amend and restate his option to purchase shares of HHI common stock such that the vesting schedule would provide as follows:

- *Service Vesting Condition*. Subject to all the terms of the option agreement and to Mr. Potashner's continuous service through the applicable dates of vesting, Mr. Potashner's right to purchase shares under the option will vest as to three-fourths (3/4) of the total number of shares covered by the option (or 37 Shares), over 12 calendar quarters based on time of service with 6.25% of the total number of shares covered by the option vesting on June 30, 2013 and an additional 6.25% at the end of each of the next eleven calendar quarters (with the last of such vesting occurring on March 31, 2016).

- *FDA Milestone Vesting Condition*. Subject to all the terms of the option agreement and to Mr. Potashner's continuous service through the FDA Milestone Vesting Condition (as defined below) is achieved, Mr. Potashner's right to purchase the other 25% of the total number of shares covered by the option (or 13 Shares) will vest based on performance as follows: 25% of the total number of shares covered by the option (or 13 Shares) will vest upon FDA market clearance of the first company owned product (the "FDA Milestone Vesting Condition"), which vesting may occur before or after the time-based vesting of the option described above.

- *Financing Vesting Condition*. Notwithstanding the Service Vesting Condition and the FDA Milestone Vesting Condition, vesting of any of Mr. Potashner's rights under the option are also conditioned upon HHI obtaining new equity financing of at least $3 million from third parties by March 5, 2015 on terms and conditions satisfactory to the board of directors of Parametric Sound Corporation (the "Financing Vesting Condition").

- *Merger Termination Vesting Condition*. Notwithstanding the Service Vesting Condition, the FDA Milestone Vesting Condition and the Financing Vesting Condition, vesting of any of Mr. Potashner's rights under the option are also conditioned upon both (i) the termination of the Merger Agreement and (ii) the termination of all "Alternative Acquisition Agreements" (if applicable) as such term is defined in the Merger Agreement (collectively, the "Merger Termination Vesting Condition").

- *Release Agreement Vesting Condition*. Notwithstanding the Service Vesting Condition, the FDA Milestone Vesting Condition, the Financing Vesting Condition and the Merger Termination Vesting Condition, vesting of any of Mr. Potashner's rights under the option are further conditioned upon his timely execution (and non-revocation) of an agreed-upon form of release of claims in the event that the Merger Termination Vesting Condition is satisfied (the "Release Agreement Vesting Condition").

- *Acceleration of Vesting*. If (and only if) the Financing Vesting Condition, the Merger Termination Vesting Condition and the Release Agreement Vesting Condition have each previously been satisfied, the total number of then unvested shares subject to the option (including, for sake of clarity, those subject to the FDA Milestone Vesting Condition), will become fully vested upon the occurrence of either of the following: (1) Mr. Potashner's service is terminated without cause by the company or (2) there is a change in control during his service, provided that (a) if HHI or Parametric Sound Corporation solicits its stockholders for approval of any such acceleration of vesting in accordance with Internal Revenue Code Section 280G, then any such acceleration of vesting will be subject to obtaining approval as necessary to avoid having a parachute payment within the meaning of Section 280G; and (b) a sale of substantially all the assets of, or the exclusive license of substantially all the technology and technology rights of, HHI will be deemed to be a change in control for purposes of the option.

The option was also amended to provide that it would terminate in full upon the closing of the merger contemplated by the Merger Agreement or any alternative transaction and, for sake of clarity, to provide that no vesting under the option will occur prior to such closing.

On August 5, 2013, Mr. Potashner also provided to us a release of claims with respect to the option amendment and also with respect to an amended and restated license agreement with our wholly-owned subsidiary, HyperSound Health, Inc. (see Note 10 to the "Part1, Item 1 Financial Statements").

This disclosure is provided in lieu of disclosure under Items 1.01 and 5.02(e) of Form 8-K.

Item 6. Exhibits.

3.2.1	Bylaws, as amended, of Parametric Sound Corporation.
10.15.1	Second Amendment to Industrial Lease Agreement between Parametric Sound Corporation and Parkway Commerce Center, LLC dated May 30, 2013.
31.1	Certification of Kenneth F. Potashner, Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of James A. Barnes, Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Kenneth F. Potashner, Principal Executive Officer and James A. Barnes, Principal Financial Officer.
	Extensible Business Reporting Language (XBRL) Exhibits*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

*Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARAMETRIC SOUND CORPORATION

Date: August 8, 2013

By: /S/ JAMES A. BARNES

James A. Barnes
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and duly authorized to sign on behalf of the registrant)

BYLAWS AS AMENDED
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 delivered: (i) orally (in person or by telephone) or in writing through personal delivery or electronic transmission (by a form consented to by the recipient), in either case at least twenty-four (24) hours before the date and time of the meeting; or (ii) through registered or certified mail (postage prepaid), return receipt requested, at least three (3) days before the date of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting of the Board of Directors. 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 any 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 depositaries 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 mounts 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 any method stated in Section 20(e). Notice sent through registered or certified mail, return receipt requested, shall be sent to such address as the director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director. Notice may be delivered by electronic transmission if: (i) consented to by the recipient, and (ii) the electronic transmission contains or is accompanied by information from which the recipient can determine the date of the transmission (such as, for example, electronic mail or facsimile). Any consent to receive notice by electronic transmission may be revoked by the person who consented by written or electronic notice to the person to whom the consent was delivered. Any such consent is deemed revoked if: (i) the person is unable to receive two consecutive electronic transmissions given by the Company in accordance with such consent; and (ii) such inability becomes known to the Secretary of the Company or other person responsible for the giving of notice. The inadvertent failure to treat any such inability as a revocation does not invalidate any meeting or other action.

(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.** Notice shall be deemed effective: (i) if personally delivered, when given directly to the recipient or when left at the residence or usual place of business of the recipient; (ii) if sent by registered or certified mail, return receipt requested, the date shown on the return receipt signed by or on behalf of the addressee; (iii) if given by electronic transmission, when (A) it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic transmissions of the type sent, and (B) it is in a form ordinarily capable of being processed by that system. Consistent with the foregoing and by way of example, notice by electronic transmission shall be deemed effective: (i) if given by facsimile, when directed to a number at which the recipient has consented to receive notice; and (ii) if given by electronic mail, when directed to an electronic mail address at which the recipient has consented to receive notice. An electronic transmission shall be deemed received under this Section 43(d) even if no natural person is aware of its receipt. In the absence of fraud, an affidavit of the Secretary of the Company that the notice has been given by a form of electronic transmission is prima facie evidence of the facts stated in the affidavit.

(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 undeliverable, 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.

(i) **Electronic Transmission.** For purposes of these Bylaws, ‘electronic transmission’ means any form or process of communication not directly involving the physical transfer of paper or another tangible medium which: (i) is suitable for the retention, retrieval and reproduction of information by the recipient; and (ii) is retrievable and reproducible in paper form by the recipient through an automated process used in conventional commercial practice. The term ‘electronic transmission’ shall include, without limitation, facsimile and electronic mail.

ARTICLE XIII
AMENDMENTS

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

ARTICLE XIV
INAPPLICABILITY OF NEVADA REVISED STATUTES SECTIONS 78.378 TO 78.3793, INCLUSIVE

Section 45. Inapplicability of Nevada Revised Statutes Sections 78.378 to 78.3793, Inclusive. The provisions of Nevada Revised Statutes Sections 78.378 to 78.3793, inclusive, shall not apply to the Corporation or to the acquisition of a controlling interest by existing or future stockholders.

PARKWAY COMMERCE CENTER, POWAY, CA

SECOND AMENDMENT TO LEASE
(*Expansion***)**

This Second Amendment to Lease ("**Amendment**") is made and entered into as of the 30th day of May, 2013 by and between PARKWAY COMMERCE CENTER, LLC, a Hawaii limited liability company ("**Landlord**"), and PARAMETRIC SOUND CORPORATION, a Nevada corporation ("**Tenant**").

R E C I T A L S

A. Landlord and Tenant entered into that certain Industrial Lease Agreement dated as of May 18, 2012 (the "**Original Lease**"), with respect to the leasing of approximately 6,808 square feet commonly known as Suites K & L (the "**Existing Premises**") in that certain building located at 13771 Danielson Street, Poway, California which is part of the industrial park commonly known as Parkway Commerce Center (the "**Complex**") and more particularly described in the Lease. Landlord and Tenant entered into that certain First Amendment to Lease dated as of June 14, 2012 (the "**First Amendment**"). The Original Lease as amended by the First Amendment is hereinafter referred to as the "**Lease**".

B. The initial Term of the Lease is scheduled to expire on August 31, 2015.

C. Landlord and Tenant presently desire to amend the Lease to increase the size of the Premises, as more fully set forth below.

A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows.

1. **Defined Terms**. All capitalized terms not defined herein shall have the same respective meanings as are given such terms in the Lease unless expressly provided otherwise in this Amendment.

2. **Expansion**. As used herein, "**Expansion Premises**" shall mean the increment of space commonly known as Suite D in the building located at 13741 Danielson Street consisting of approximately 2,850 square feet more particularly shown on the attached Exhibit #1. The Expansion Premises shall be added to the Existing Premises on July 1, 2013 and shall remain a portion of the "Premises" (as defined below) throughout the Expansion Term (as defined below). Landlord estimates that possession of the Expansion Premises will be tendered to Tenant on July 1, 2013 (the "**Estimated Delivery Date**"); provided, however, that if Landlord is unable to tender possession of the Expansion Premises to Tenant by the Estimated Delivery Date, then: (a) the validity of this Amendment shall not be affected or impaired thereby; (b) Landlord shall not be in default hereunder or be liable for damages therefor; and (c) Tenant shall accept possession of the Expansion Premises on the date when Landlord tenders possession thereof to Tenant. As of July 1, 2013, the definition of "Premises" in the Basic Lease Information of the Lease shall be modified to provide that the "Premises" consists of 9,658 square feet (the combined Existing Premises and the Expansion Premises shall hereafter be referred to as the "**Premises**"). The Expansion Premises shall remain a portion of the "Premises" throughout the Term of the Lease. As used herein, the "**Expansion Term**" shall mean the period starting on July 1, 2013 and ending on August 31, 2015. Tenant shall accept the Expansion Premises in their "as is" state and condition and Landlord shall have no obligation to make or pay for any improvements or renovations in or to the Expansion Premises or to otherwise prepare the Expansion Premises for Tenant's occupancy.

3. **Early Access**. Landlord shall provide Tenant with early access to the warehouse portion of the Expansion Premises on the first Business Day following the full execution of this Amendment by Landlord and Tenant (the "**Access Date**"). Such early occupancy shall be subject to all of the terms and conditions of the Lease, as amended by this Amendment, except for Tenant's obligation to pay Base Rent with respect to the Expansion Premises (which obligation shall commence upon the first day of the Expansion Term). Such period of early occupancy shall commence on the Access Date and continue through the date immediately preceding the first day of the Expansion Term (the "**Early Occupancy Period**"). During the Early Occupancy Period, Tenant may enter the warehouse portion of the Expansion Premises for the purpose of installing telephones, electronic communication equipment, fixtures and furniture, provided that Tenant shall be solely responsible for any of such fixtures, furniture or equipment and for any loss or damage thereto from any cause whatsoever. The provisions of Section 8(a) and of Section 11 of the Lease shall apply in full during the Early Occupancy Period, and Tenant shall (x) provide certificates of insurance evidencing the existence and amounts of liability insurance carried by Tenant and its agents and contractors with respect to the Expansion Premises, reasonably satisfactory to Landlord, prior to such early entry, and (y) comply with all Laws applicable to such early entry work in the Expansion Premises.

4. **Term; Rent**. Notwithstanding anything to the contrary set forth in the Lease, commencing on July 1, 2013 and thereafter on or before the first day of each calendar month during the remainder of the Expansion Term, Tenant shall pay to Landlord Base Rent with respect to the Expansion Premises, in the manner provided in the Lease in the following amounts:

Period	Base Rent Per Square Foot of the Expansion Premises	Base Rent
7/1/13 – 7/31/13	$0.75	$ 2,137.50
8/1/13 – 8/31/13	$0.00*	$ 0.00
9/1/13 – 6/30/14	$0.75	$ 2,137.50
7/1/14 – 7/31/14	$0.00*	$ 0.00
8/1/14 – 6/30/15	$0.77	$ 2,201.63
7/1/15 – 8/31/15	$0.80	$ 2,267.67

* The abatement of the Base Rent provided for herein is conditioned upon Tenant's full and timely performance of all of its obligations under this Lease. If at any time during the Expansion Term an uncured Event of Default (as defined in Section 17.1 of the Lease) by Tenant occurs, then the abatement of Base Rent provided for herein shall immediately become void, and Tenant shall promptly pay to Landlord, in addition to all other amounts due to Landlord under this Lease, the full amount of all Base Rent herein abated (i.e., the amount of $2,137.50 for the month of August 2013 and $2,201.63 for the month of July 2014).

One installment of monthly Base Rent with respect to the Expansion Premises (in the amount of $2,137.50) shall be payable contemporaneously with the execution of this Amendment by Tenant and shall be credited toward the first month's rent due with respect to the Expansion Premises during the Expansion Term.

5. **Modification of Tenant's Share**. To reflect the addition of the Expansion Premises to the Lease, effective as of July 1, 2013, Tenant's Proportionate Share shall be 1.93% with respect to the Expansion Premises.

6. **Parking**. To reflect the addition of the Expansion Premises to the Lease, effective as of July 1, 2013, the reference to Parking Spaces in the Basic Lease Information shall be modified by deleting the words "Nineteen (19) unreserved parking spaces" and substituting "Twenty-Seven (27) unreserved parking spaces" therefor.

7. **Security Deposit**. The parties hereto acknowledge that Landlord is currently holding a security deposit in the amount of $5,283.71. Concurrently with Tenant's execution of this Amendment, Tenant shall provide an additional cash security deposit to Landlord in the amount of $2,267.67 so that the total security deposit being held by Landlord shall be $7,551.38.

8. **Signage**. Notwithstanding anything to the contrary set forth in the Lease, Tenant, at Tenant's sole cost and expense, shall be permitted to install its standard corporate signage on the exterior of the Expansion Premises in a location to be approved by Landlord, provided that such sign complies with the criteria set forth in Section 8(d) of the Lease, is in compliance with any applicable recorded covenants and restrictions, and has been approved by the applicable City of Poway governmental agency.

9. **Authority**. Tenant and each person executing this Amendment on behalf of Tenant hereby covenants and warrants that (a) Tenant is in good standing under the laws of the States of Nevada and California, (b) Tenant has full corporate power and authority to enter into this Amendment and to perform all Tenant's obligations under the Lease, as amended by this Amendment, and (c) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Tenant is duly and validly authorized to do so.

10. **Release**. Tenant hereby releases Landlord of and from all liabilities, claims, controversies, causes of action and other matters of every nature which, through the date hereof, have or might have arisen out of or in any way in connection with the Lease and/or the Premises demised thereunder. Tenant acknowledges that he is familiar with Section 1542 of the Civil Code of the State of California which provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Tenant hereby waives and relinquishes every right or benefit he may have under Civil Code Section 1542 and all other provisions of law with respect to any such claim he may have against Landlord to the full extent that he may lawfully do so. In connection with such waiver and relinquishment, Tenant acknowledges that he is aware that he may hereafter discover facts in addition to or different from those which he now knows or believes to be true with respect to the subject matter of this Amendment, but that it is Tenant's intention hereby to fully, finally and forever settle and release all such claims, known or unknown, suspected or unsuspected, which may now exist or which have previously existed between Tenant and Landlord. Accordingly, Tenant agrees that this Amendment shall be and remain in effect as a full and complete release notwithstanding the discovery or existence of any such additional or different facts.

11. **Real Estate Brokers**. Tenant and Landlord warrant that they have had no dealings with any broker or agent in connection with this Amendment, other than Landlord's broker, CBRE, Inc. ("**Landlord's Broker**"). Tenant covenants to pay, hold harmless and indemnify Landlord from and against any and all cost, expense or liability for any compensation, commissions or charges claimed by any other broker or agent utilized by Tenant with respect to this Amendment or the negotiation hereof.

12. **Confidentiality**. Tenant acknowledges and agrees that the terms of the Lease, this Amendment and any other amendments to the Lease are intended to be confidential. Disclosure of such terms could adversely affect the ability of Landlord to negotiate other leases and amendments to leases, and impair Landlord's relationship with other tenants. Accordingly, Tenant agrees that Tenant, and its employees, agents and attorneys, shall not intentionally and voluntarily disclose the terms and conditions of the Lease, this Amendment, or any other amendments to the Lease to any newspaper or other publication or any other tenant or apparent prospective tenant of the Complex, or any real estate broker or agent, either directly or indirectly, without the prior written consent of Landlord.

13. **Lease in Full Force and Effect**. This Amendment contains the entire understanding between the parties with respect to the matters contained herein. Tenant hereby affirms to its knowledge that on the date hereof no breach or default by either party has occurred and that the Lease, and all of its terms, conditions, covenants, agreements and provisions, except as hereby modified, are in full force and effect with no defenses or offsets thereto. No representations, warranties, covenants or agreements have been made concerning or affecting the subject matter of this Amendment, except as are contained herein and in the Lease. This Amendment may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification or discharge is sought.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first set forth above.

LANDLORD:

PARKWAY COMMERCE CENTER, LLC,
a Hawaii limited liability company

By: Invesco Advisers, Inc.,
its Manager

By: /s/ Duncan Walker
Name: Duncan Walker
Its: Vice President

Date of Execution: 6/18/13, 2013

TENANT:

PARAMETRIC SOUND CORPORATION,

a Nevada corporation

By: /s/ Elwood G. Norris
Name: Elwood G. Norris
Its: President

By: /s/James A. Barnes
Name: James A. Barnes
Its: Secretary and CFO

Date of Execution: June 1, 2013

[If Tenant is a corporation, Tenant should have one officer from <u>each</u> of the following categories sign for Tenant: (a) a president, vice president or chairman of the board <u>and</u> (b) a secretary, assistant secretary, chief financial officer or assistant treasurer (unless the Amendment is returned accompanied by a corporate resolution identifying a single authorized signatory).

CERTIFICATION

I, Kenneth F. Potashner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parametric Sound Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2013

/s/ KENNETH F. POTASHNER
Kenneth F. Potashner
Executive Chairman (Principal Executive Officer)

CERTIFICATION

I, James A. Barnes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parametric Sound Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2013

/s/ JAMES A. BARNES
James A. Barnes
Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his or her capacity as an officer of Parametric Sound Corporation (the "Company"), that, to his or her knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2013, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: August 8, 2013

/s/ KENNETH F. POTASHNER
Kenneth F. Potashner
Executive Chairman (Principal Executive Officer)

Date: August 8, 2013

/s/ JAMES A. BARNES
James A. Barnes
Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by the Company into such filing.

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.