Parametric Sound Corp
Form 424B5
April 24, 2014

Filed Pursuant to Rule 424(b)(5)
File Number 333-188389

PROSPECTUS SUPPLEMENT

(to Prospectus dated May 16, 2013)

4,000,000 Shares

Parametric Sound Corporation

Common Stock

We are offering 4,000,000 shares of our common stock. Our common stock is listed on The NASDAQ Global Market under the symbol HEAR. Until April 14, 2014, our common stock was listed under the symbol PAMT. On April 23, 2014, the last reported sale price for our common stock on The NASDAQ Global Market was $13.00 per share. We are in the process of changing our corporate name to Turtle Beach Corporation, which we expect to complete in May 2014.

Investing in our common stock involves risks. See Risk Factors beginning on page S-17 of this prospectus supplement.

	Per Share	Total

Public Offering Price	$ 10.00	$ 40,000,000
Underwriting Discount (1)	$ 0.60	$ 2,400,000
Proceeds, Before Expenses, to Parametric Sound	$ 9.40	$ 37,600,000

(1) See Underwriting for additional information regarding underwriting compensation.
We have granted the underwriters the right to purchase up to an additional 600,000 shares of our common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. It is illegal for any person to tell you otherwise.

We anticipate that delivery of the shares of common stock will be made on or about April 29, 2014.

Sole Book-Running Manager

Needham & Company

Co-Lead Managers

Cowen and Company **Wedbush Securities**

Co-Manager

Lake Street Capital Markets

The date of this prospectus supplement is April 24, 2014.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information different from that contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. This prospectus supplement does not constitute an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated herein or therein by reference is

accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

On May 6, 2013, we filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-3 (File No. 333-188389) utilizing a shelf registration process relating to the securities described in this prospectus supplement, which registration statement became effective on May 16, 2013. Under this shelf registration process, we may, from time to time, sell common stock and warrants, including the common stock to be sold in this offering.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the headings Where You Can Find More Information and Incorporation by Reference.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in the prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

As used in this prospectus supplement, unless the context requires otherwise, references to Parametric Sound, the Company, we, our, or us refers to the combined businesses of Parametric Sound Corporation and its subsidiaries. HyperSound and HSS are our registered trademarks. This prospectus supplement also contains trademarks and trade names that are the property of their respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING

STATEMENTS AND OTHER INFORMATION

This prospectus supplement 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, continue or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

Current and future transitions in video gaming console platforms and the potential impact on our business;

Continued relationships with our largest customers;

Our ability to adapt to new technologies and introduce new products on a timely basis;

The impact of competitive products, technologies and pricing;

The impact of seasonality on our business;

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- Manufacturing capacity constraints and difficulties;
- The scope of protection we are able to establish and maintain for intellectual property rights covering our technology;
- Our ability to forecast demand for our products;
- Estimates of our future revenues, expenses, capital requirements and our needs for additional financing;
- Our financial performance; and
- Our success at managing the risks involved in the foregoing items.

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 in this prospectus supplement under Risk Factors.

All forward-looking statements in this prospectus supplement reflect our views as of the date hereof 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.

This prospectus supplement contains statistical data and estimates that we obtained from industry publications and reports. These publications typically indicate that they have obtained their information from sources they believe to be reliable, but do not guarantee the accuracy and completeness of their information. Although we have assessed the information in the publications and found it to be reasonable and believe the publications are reliable, we have not independently verified such data.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus, as well as the other documents incorporated by reference in this prospectus supplement and the accompanying prospectus, carefully before making an investment decision, including the Risk Factors section contained in this prospectus supplement, our consolidated financial statements and the related notes thereto. In this prospectus supplement, unless the context requires otherwise, references to Parametric Sound, the Company, we, our, or us refers to the combined businesses of Parametric Sound Corporation and its subsidiaries.

Mission Statement

Our mission is to design, develop and deliver state-of-the-art audio products that provide unique functionality, high quality and ultimately superior user experiences for the consumer, commercial and health care markets. Our goal is to help our end customers hear better when they are playing video games, watching films and listening to music, as well as experiencing directional audio in entertainment, consumer and other settings.

Overview

We are a premier audio innovation company with deep expertise and relevant experience in developing, commercializing and marketing audio technologies across a range of large addressable markets under the Turtle Beach and HyperSound brands. Turtle Beach is the worldwide leading provider of feature-rich headset solutions for use across multiple platforms, including video game and entertainment consoles, handheld consoles, personal computers, or PCs, Macintosh computers, or Macs, tablets and mobile devices. HyperSound is a novel patent-protected sound delivery technology that delivers immersive, directional audio which offers unique benefits in a variety of commercial and consumer audio applications, and is capable of increasing the ability of persons with hearing impairments to perceive and comprehend audio. On January 15, 2014, Parametric Sound completed the merger, or the Merger, with VTB Holdings, Inc., which operates the Turtle Beach business. The Merger created a new company with a new investment profile, with unaudited pro forma combined net revenue of $179 million for the year ended December 31, 2013 and a market capitalization in excess of $500 million as of the closing of the Merger.

Audio technology and digital signal processing are core competencies of our company, and we intend to leverage these competencies to continue to expand both our headset and HyperSound product portfolios. We consider continued innovation and state-of-the-art product development key factors to our future success. The Merger combined the unique intellectual property and HyperSound audio product of Parametric Sound with the commercialization skills and resources of Turtle Beach, including proven product design, product development, supply chain management, sales and marketing. We believe that the strength of the Turtle Beach headset business provides a strong foundation that will enable us to invest in the advancement and commercialization of the HyperSound technology.

We intend to introduce new HyperSound products across a wide range of large and growing addressable markets and to continue to develop the commercial market for HyperSound, where our technology is used to add audio to retail displays and to create isolated areas of sound in a variety of settings. We are also currently developing a HyperSound product that we believe will improve the home listening experience for individuals with hearing impairments. In consumer markets, we plan to target HyperSound for new uses, potentially including applications with computers, mobile devices, video game consoles, televisions and other home audio products. In addition to the products we are commercializing, we are also pursuing licensing opportunities for our HyperSound technology.

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Products

Turtle Beach Headsets

Our Turtle Beach headsets transform the way games are consumed on video game consoles, personal computers, media and mobile platforms. Our technologies have been proprietarily developed using surround sound audio, pristine fidelity, wireless functionality and precision customization all combined to deliver the high definition gaming experiences that our end customers demand. Turtle Beach s flagship product line, Ear Force, has been crafted for gaming consoles, including the next-generation Xbox One and PlayStation 4, handheld consoles, such as the PlayStation Vita and Nintendo DS, and other platforms and devices, including Nintendo, PCs, Macs and mobile devices such as smart phones and tablets. Our products are sold in 44 countries at over 27,000 storefronts around the world through relationships with leading major retailers, including Amazon, Best Buy, GameStop, Target, Wal-Mart and similar major retailers in other parts of the world.

We have established and currently maintain a leading position in the U.S. gaming headset market through innovation in sophisticated audio technology, product quality, targeted marketing, retail distribution and industry partnerships. According to sales tracking data from The NPD Group, Inc., or NPD, we are the number one console gaming headset manufacturer in the United States based on dollar sales for the calendar year 2013, with nearly a 50% dollar share of the market, or more than four times the next closest competitor. In 2013, we had six of the top 10 best-selling gaming headsets in terms of U.S. dollar market share.

We consider our retail distribution network for Turtle Beach headsets to be unrivaled in the gaming headset market, consisting of more than 370,000 points of distribution and 27,000 storefronts in 44 countries around the world as of December 31, 2013. We believe that our extensive retail footprint and strong retail presence, which includes point-of-sale displays and more than 16,000 interactive retail displays, have contributed to broad brand recognition and loyalty with our installed base of consumers. According to a July 2013 study we commissioned by NPD, our brand rating among Xbox 360 and PlayStation 3 console gamers who are familiar with the Turtle Beach brand a measurement of positive brand perception increased 7 percentage points to 65% in 2013, and is 77% among 18-24 year-olds.

We have played a significant role in developing the market for advanced gaming headsets, which allow video game players to experience high-quality, immersive sound and communicate with other online players. The first Turtle Beach gaming headset, which unlike stereo headphones had an integrated microphone, was launched in 2005. As gaming has grown in popularity, we have broadened our Turtle Beach product portfolio to include more than 30 headset solutions across various gaming and entertainment platforms.

Strategic relationships play an important role in our headset business. We believe these relationships give the Turtle Beach brand a larger presence with consumers and create more opportunities for retailers to carry our products. Collaborating with console manufacturers to create officially licensed headsets gives us access to console specifications for product development and helps drive consumer preference for our products. Relationships with leading video game franchises raise awareness of our products and brand, and create opportunities to align our headsets and trade marketing efforts with high-visibility game launches. Between July 2013 and April 2014, we announced arrangements with Blizzard Entertainment, Electronic Arts, Marvel and Microsoft, and our relationship with Activision and their popular *Call of Duty* franchise, which began in 2011 with the launch of *Call of Duty: Modern Warfare 3*, extends through January 2015. We believe that Turtle Beach is the only gaming headset company to have official licenses with all three major console platforms Microsoft Xbox, Sony PlayStation and Nintendo Wii. We are currently one of only two announced companies licensed and approved by Microsoft to create audio products for the next-generation Xbox One console. We also have exclusive licensing and sponsorship relationships with some of the biggest players in competitive gaming, including Twitch and Major League Gaming.

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As gaming consoles have evolved from dedicated video game platforms to home entertainment hubs, and mobile devices have become platforms for entertainment, we have continued to evolve our Turtle Beach headsets to reflect how content is consumed. For example, we recently introduced Turtle Beach iSeries media headsets that can bring sophisticated audio processing technology to consumers watching movies, listening to music, as well as playing video games. These new headsets are available in Apple retail stores, with expanded distribution anticipated later in 2014.

Our Turtle Beach headsets are categorized by price point based on the complexity of technology each headset offers, with higher price point headsets offering advanced features such as digital signal processing, surround sound, wireless audio and Bluetooth connectivity to mobile devices. By offering Turtle Beach products across multiple price points, we have reached a diverse base of consumers ranging from entry-level users to dedicated gamers.

HyperSound Products

Our HyperSound products transform the way audio is delivered to listeners. Common speaker types in use today radiate sound out in a wide arc, creating a very broad and difficult to control listening area. HyperSound is a fundamentally different approach to audio. Proprietary ultrasonic emitters produce an ultrasonic wave that carries audible sound along a tightly formed beam. Audible sound is not created on the surface of the ultrasonic emitter a significant departure from a direct radiating loudspeaker. Instead, the audible sound is generated in the air itself and is focused and directed. This delivery mechanism has many unique benefits. Like a flashlight with a narrow beam of light, HyperSound produces a narrow beam of sound providing significant control over the listening area. If the listener is standing in the path of the beam, he or she hears the sound. If the listener leaves the beam, the sound is barely audible. HyperSound also maintains sonic clarity and intelligibility over longer distances than traditional loudspeakers. Unlike conventional speakers that require five or seven speakers to provide surround sound, HyperSound can provide immersive, 3D surround sound using just two emitters.

We are currently focusing our development efforts for the HyperSound technology on three business segments: commercial applications, health care, and consumer applications. We believe that these three target markets collectively represent a large opportunity for HyperSound and will continue to be the focus of our HyperSound research and development efforts for the foreseeable future.

Industry Overview

Gaming Headset Market

The video game industry is a global and growing market. The March 2014 *Intelligence: Worldwide Console Forecast* report by DFC Intelligence Forecasts, or DFC, estimates that combined global spending on console hardware and software will increase from $26 billion in 2013 to $43 billion in 2017, representing growth of 62% over that time period. Additionally, the June 2013 *Essential Facts about the Computer and Video Game Industry* report by the Entertainment Software Association indicates that 58% of Americans play video games and that more than half of U.S. households own a dedicated gaming console (with an average of two gamers in every game-playing U.S. household).

The console accessories market includes gaming headsets and other peripherals such as gamepads and specialty controllers, adapters, batteries, memory and interactive gaming toys. Sales tracking data from NPD indicates U.S. consumers spent an estimated $1.8 billion on console accessories in 2013. Console gaming headsets comprised approximately 19% of that total, or approximately $329 million. DFC s *World Console Forecast* indicates that North America has approximately 47% of the installed base for the two most recent generations of gaming consoles, the sixth and seventh-generation. Based on these figures, we believe the global console gaming headset market to be approximately $700 million.

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We believe video game players use gaming headsets to experience high-quality, immersive game audio, communicate via chat audio with other online players, and take advantage of advanced capabilities such as audio processing that can provide a competitive advantage during gameplay. Headsets also allow players to experience game and chat audio without disturbing others in their household.

We believe that sales of console gaming headsets, like other console-related accessories and software, are significantly influenced by the launch of new consoles. The gaming industry experienced a cyclical event in 2013 as Microsoft and Sony each announced new consoles for the first time in eight years. After Sony announced the PlayStation 4 in February and Microsoft announced the Xbox One in May, consumers began delaying gaming purchases in advance of the introduction of the new consoles, negatively impacting global sales of console hardware and software.

Historical industry data shows that sales of gaming accessories have fallen in the 12 to 18 months immediately preceding a console transition and then have risen to higher levels spurred by the increased retail activity generated by the new console launch. According to DFC s *World Console Forecast*, annual console sales increased 137% from 2005 to 2008 following the last transition, to Xbox 360 and PlayStation 3 in 2005.

The consumer response to the November 2013 launches of the Xbox One and PlayStation 4 has been overwhelmingly positive, creating a growing installed base of consoles and a market for next generation headsets. The Xbox One and PlayStation 4 had strong global launches, with sales of each exceeding one million units in the first 24 hours following introduction, and consumers purchased an estimated 7 million next generation consoles by the end of 2013. DFC forecasts that combined cumulative sales of Xbox One and PlayStation 4 will grow to 149.4 million consoles by 2018. We believe we are well positioned to benefit from the anticipated growth in this segment as consumers purchase new consoles over the next three years and beyond. In addition, industry analysts expect Microsoft and Sony to continue supporting their current generation consoles over the next few years and, as a result, we anticipate that there will continue to be a significant market through at least 2015 for Turtle Beach headsets that are compatible with Xbox 360 and PlayStation 3, the previous generation of consoles.

Sales of Turtle Beach gaming headsets designed primarily for use with gaming consoles such as Xbox and PlayStation comprise the majority of our revenues. We believe that the primary growth drivers for our console gaming headset business are:

- Cumulative sales of 163 million consoles, in the aggregate, of Xbox 360, Xbox One, PlayStation 3 and PlayStation 4 consoles as of year-end 2013, as estimated in the March 2014 DFC *Intelligence: Worldwide Console Forecast*;

- The increase in multiplayer online gaming, whether console, mobile, or PC-based, in which a gaming headset provides the additional benefit of being a communication device;

- The launch of new console video game titles, which we believe increases foot traffic into retail stores and lifts console gaming headset sales; and

- The installed base of more than 7 million Turtle Beach headsets, which we expect to drive upgrades and replacements.

Competition in Gaming Headset Market

Competitors of our Turtle Beach console gaming headsets include both accessory manufacturers and console manufacturers. Major console manufacturers such as Sony and Microsoft bundle chat communicators with new console purchases. These chat communicators are mono voice-only devices that do not transmit game audio, but do allow players to communicate with each other. We view chat communicators as a lead generator,

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drawing new customers to fully integrated gaming headsets, because we believe that once new players experience the benefits of chat communicators, they often upgrade to a fully integrated gaming headset, which includes audio and chat.

In addition to making chat communicators, both Sony and Microsoft make a limited range of integrated headsets. Sony makes gaming headsets that compete against our Turtle Beach PlayStation 3 and PlayStation 4 compatible headsets. Microsoft launched an Xbox One compatible headset in 2014. A number of third-party accessory manufacturers also make gaming headsets. In 2013, Turtle Beach achieved a 49% revenue dollar share of the U.S. gaming headset market according to sales data from NPD. No other console or accessory manufacturer achieved more than a 12% dollar share. Additionally, Turtle Beach achieved a 53% dollar share of the U.K. gaming headset market according to sales data from The GfK Group.

Unlike the console gaming market, there are dozens of brands offering PC gaming headsets. Many of the brands offering PC gaming headsets make an assortment of PC components and accessories, including cases, memory sticks, keyboard, mice and controllers. Based on a survey of U.S. based consumers we conducted in October 2013, we estimate that 65% of the PC gaming headsets on the market are priced at less than $50, 25% are priced between $50 and $100, and 10% are priced greater than $100. Because a high percentage of the PC gaming headset market is comprised of less expensive, entry-level headsets, we believe there is an opportunity for us to gain market share by offering higher priced, feature-rich gaming headsets targeted at gaming enthusiasts.

HyperSound Technology Target Markets

We are currently focusing our product development efforts for HyperSound-based products in the following three areas: commercial, health care and consumer applications. We are also pursuing licensing opportunities in addition to the products we are commercializing.

Commercial Applications. Among potential commercial applications, we are currently marketing our HyperSound technology to retailers and audio-visual integrators for use in settings where directed audio and sound zones are beneficial, such as digital signage and interactive retail displays. Digital signage is a growing form of direct advertising capturing an increasing share of advertising spending. Restaurants, banking, retail outlets, museums and other outlets and organizations employ commercial displays to communicate with patrons, many of which currently have no audio. Interactive retail displays and related computer terminals such as ATMs power applications for communication, commerce, entertainment and education. Electronic gaming and casino slot machines are also becoming increasingly sophisticated computerized entertainment devices. We believe the ability to focus sound on the user in front of such displays or devices, while limiting or removing sound disruption outside the listening area, offers utility unavailable with traditional speakers. HyperSound creates discrete in-store promotional audio zones that offer a personal experience to an individual while preventing noise pollution that could be heard by surrounding customers.

Health Care. We believe our research studies, including preference testing and clinical trials, demonstrate that HyperSound technology offers improved comprehension of audio for persons with varying types of hearing impairments by delivering higher volume and clarity of audio to hearing impaired listeners when compared to a conventional acoustic speaker. In February 2014 we received clearance from the U.S. Food and Drug Administration, or FDA, for the marketing of the HyperSound audio system as a hearing improvement device. We are focused on bringing a product to market that will have a positive impact on the quality of life for people with certain hearing disabilities. With over 48 million people in the United States experiencing hearing impairments, we believe hearing health represents a strong opportunity for us, and that our technology will fill a need in the market.

Consumer Applications. Our HyperSound technology has the potential to be developed into consumer products for various applications, including computers, video game consoles, televisions, home theater and home

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audio. With the advent of flat panel displays for use in televisions and mobile devices, manufacturers have been focused on creating thinner products often at the expense of sound quality. We believe this has created an opportunity to develop integrated and companion HyperSound products that improve the audio experience by providing immersive 3D sound. We believe that our ability to create a 3D sound image from two thin emitters, compared to a five or seven speaker surround sound set-up using conventional speakers, will deliver a compelling and enhanced audio experience for consumers.

Competition in HyperSound Technology Target Markets

Our HyperSound technologies and products compete with both ultrasonic and traditional audio products of other companies. The consumer, commercial and health care audio industry markets are fragmented and competitive and include numerous manufacturers, with audio products varying widely in price, quality and distribution channels.

As we expand in the commercial market, we will compete with a diverse range of traditional commercial sound manufacturers worldwide. For example, the digital signage market uses numerous traditional commercial sound products where directed or focused audio is not required or desired, or where customers have not been exposed to the advantages of directed audio to communicate. However, we believe our HyperSound product outperforms competitive directional and zoned audio solutions, providing improved volume, clarity, and directional control while requiring less power, all at a lower cost.

As we enter the hearing health market we believe we currently have no direct competition for ultrasonic-based hearing solutions and also believe we are the only directed audio product with FDA clearance to be marketed as a hearing aid device. We are likely to face new competition that comes with launching a novel product and creating and/or expanding a new category.

As we enter the consumer market for speakers in computers, gaming and entertainment consoles, televisions and home audio, we will compete within an audio industry that is fragmented and competitive and includes numerous manufacturers offering audio products that vary widely in price, quality and distribution methods. We compete or may compete with manufacturers such as Bose, Boston Acoustics, Harman, Klipsch, LG, Pioneer, Polk Audio, Samsung, Sony and many other large competitors. We believe that we can compete based on the quality and performance of our proprietary HyperSound technology, its unique delivery method, and our ability to partner with original equipment manufacturers, or OEMs, as they attempt to differentiate their products.

Our Competitive Strengths

We believe that our more than 35-year legacy of audio innovation and strong, experienced leadership team form the core of our competitive advantage. The competitive strengths of our business include:

Innovative, high quality products that incorporate advanced audio and wireless technology

We consider the rapid, cost-effective commercialization of our innovations in audio technology into high quality and feature-rich products to be a key contributor to our success. Our team of engineers contributed to the introduction of 17 new gaming and media headsets to the portfolio in 2013. A wide array of consumer research informs our product planning, design and pricing, which contributes to improvements in product engineering. We also believe that advanced audio, digital signal processing and wireless functionality, including chat audio, provide a competitive advantage when our products are compared to those of our competitors at a similar price point. For example, we believe that Turtle Beach is the first headset manufacturer to utilize Dual Band WiFi in wireless gaming headsets, and the first manufacturer to offer a headset utilizing DTS Headphone:X surround sound.

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Products with broad compatibility and interoperability

We believe that consumers value cross-platform compatibility. By providing more flexibility and compatibility in our products than our competitors do at similar price points, we believe we offer more value to consumers, which we consider to be a competitive advantage. Almost all of our wired headsets provide both chat and source audio with mobile devices, including smartphones and tablets. Our Bluetooth wireless headsets are dual-pairing, allowing users to pair them not only with consoles for chat audio, but also with mobile devices for music streaming, phone calls and chat audio. Many of our Xbox console headsets are also PlayStation compatible, and many of our PlayStation headsets also work on the Xbox platform with the addition of an inexpensive adapter. In addition, most of our USB wired console headsets work with both PCs and Macs.

Strong brand and large, loyal installed base of consumers

We believe that our Turtle Beach brand contributes value to our business and that our Turtle Beach brand s image among consumers is a competitive advantage. In addition, the installed base of consumers with Turtle Beach headsets, which we estimate to be more than 7 million users, plays a positive role in driving brand and product awareness, and makes us a more valuable partner to game software and hardware companies, such as Activision and Microsoft. A July 2013 brand awareness and sentiment study we commissioned and conducted by NPD indicated that Turtle Beach s brand rating among Xbox 360 and PlayStation 3 console gamers who are familiar with the Turtle Beach brand a measurement of positive brand perception increased 7 percentage points to 65% of all consumers participating in the study in 2013, and is 77% among 18 to 24 year-olds. We believe this strong brand perception relative to many of our competitors increases the likelihood of brand loyalty and brand recommendations. We have a large installed base of consumers who own our Turtle Beach gaming headsets, and we believe that individuals who play video games are a large and growing demographic. According to a March 2012 study of approximately 2,500 gamers by Bowen Research that we commissioned, consumers who already own Turtle Beach headsets earn more and spend more on gaming than those that own other headset brands. Gamers who own Turtle Beach headsets play more frequently and are also more social when gaming, playing multiplayer games more frequently. We believe that this profile of Turtle Beach headset owners and our large installed base of users comprised of gamers who, based on the Bowen Research study, play more, earn more and spend more than gamers that did not own Turtle Beach headsets makes us the strongest potential audio partner for console, software and entertainment brands and has contributed to our success with strategic relationships and licensing.

Excellent retail relationships and distribution

We have strong retail relationships and a large international distribution network. Turtle Beach headsets are sold at more than 27,000 storefronts in 44 countries, including retailers such as Amazon, Best Buy, GameStop, Target, Wal-Mart and similar major retailers in other parts of the world. We believe retailers value the Turtle Beach brand as a leading provider because it drives sales across the gaming headset category and is a profitable product line for retailers. We believe prominent placement in video game and electronics retailers such as Best Buy and GameStop, including our more than 16,000 installed interactive sales displays, reinforces Turtle Beach s brand authenticity with gaming enthusiasts, and our presence in mass channel retailers such as Target and Wal-Mart enables us to reach a wider audience of casual gamers. Our established presence on Amazon.com and other online retail sites, and high consumer product ratings on those sites, increases the awareness and visibility of Turtle Beach products and helps to influence both online and brick and mortar sales. We also have exclusive licensing and sponsorship relationships with some of the biggest players in competitive gaming, including Twitch, the world s leading broadcast platform and community for video game enthusiasts.

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Exceptional strategic relationships

We believe that our strategic relationships, which include licensing, sponsorship and promotional relationships, raise awareness for the Turtle Beach brand, provide competitive advantages, create opportunities for retail promotions, appeal to retailers, and place the Turtle Beach brand in front of consumers in fresh and exciting ways. In 2013, we announced an agreement with Microsoft that enables us to produce officially licensed headsets for the next-generation Xbox One console. We are currently one of only two announced audio companies licensed and approved by Microsoft to create Xbox One compatible audio products. In January 2014, we announced a new agreement with Sony Computer Entertainment America LLC to create officially licensed headsets for the new PlayStation 4 entertainment console in North America and Latin America. As part of the Sony agreement, Turtle Beach will develop tournament-grade headsets as well as headsets for gaming and entertainment enthusiasts. We anticipate that these headsets will be unveiled during summer 2014 and will be in stores in fall 2014.

We have licensing agreements with leading game companies such as Activision, Blizzard Entertainment and Electronic Arts through which we develop co-branded headsets to coincide with new video game releases, including for the recent release of *Titanfall* and the last three *Call of Duty* releases. Association with these high-profile, global game launches provides valuable brand awareness.

We also have exclusive licensing and sponsorship relationships with some of the biggest players in competitive gaming, including Twitch, the world s leading broadcast platform and community for video game enthusiasts, and Major League Gaming, the world s largest competitive gaming league and online multiplayer platform. We believe our strategic relationships reinforce our brand authenticity with consumers.

Transformative HyperSound technology

Our HyperSound products transform the way audio is delivered to listeners. Common speaker types in use today such as dynamic, electrostatic, ribbon and other transducer-based designs, are direct radiating and are fundamentally a piston action, directly pumping air molecules into motion to create audible sound waves the listener hears. HyperSound modulates an ultrasound beam that utilizes nonlinear acoustics to create sound in the air. This parametric sound beam is highly directional and maintains sonic clarity and intelligibility over longer distances than traditional loudspeakers. Our HyperSound technology is compatible with any media input and beams directed audio where the listener wants it while limiting ambient noise.

Broad intellectual property portfolio

We have a substantial base of intellectual property assets related to our HyperSound and headset technology protecting our current and future product development, including 26 U.S. patents and two foreign patents issued related to our HyperSound and headset technologies, as well as 59 additional U.S. patents pending, as of April 14, 2014. We intend to continue to innovate and anticipate increasing our intellectual property portfolio related to our HyperSound technology and Turtle Beach headsets in the future. We operate in an industry where innovations, investment in new ideas and protection of resulting intellectual property rights are critical to success. We expect to rely on a variety of intellectual property protections for our products and technologies, including contractual obligations, and we intend to pursue a policy of vigorously enforcing such rights.

Our Business Strategy

We intend to build upon our Turtle Beach brand awareness, sophisticated audio technology and high quality products to increase sales, profitability and brand awareness.

Grow our Console Gaming Headset Business

We intend to continue to grow our core console gaming headset business, taking advantage of what we expect to be industry-wide growth following the release of the Xbox One and PlayStation 4 consoles in 2013. To achieve this growth, we intend to launch additional gaming headset models for the new consoles, to continue to add innovations and technology across our entire product line up, and to progress our physical designs, packaging and marketing approaches.

DFC estimates that more than 268 million sixth and seventh generation Xbox, PlayStation and Wii gaming consoles have been sold worldwide, and millions play online using their consoles every day. Microsoft has estimated that its 46 million subscribers spend an average of 42 hours a month playing games on Xbox Live. The first priority in our growth strategy is to continue to grow the core console gaming headset business, protecting share in established markets like the United States, the United Kingdom and Australia and increasing share in markets where we are less established.

A 2013 survey conducted by NPD found that only 22% of U.S.-based players of Xbox 360, Playstation 2 and PlayStation 3 currently use a headset, suggesting to us that there is meaningful room for growth in this established market. In addition, more than half of headset users are using their first headset. With our market share leadership and large consumer base, we plan to capture a significant portion of sales from gamers upgrading to their second, more advanced headset and those buying new headsets for next-generation consoles.

While industry analysts project that sales of next-generation consoles, such as Xbox One and Playstation 4, will continue to be strong, individuals within the industry expect sales of current generation consoles, such as Xbox 360 and Playstation 3, to continue as well (although at a decreased rate). For example, Microsoft s senior vice president of Interactive Entertainment Business stated that he believes that Microsoft may reach an installed base of 100 million Xbox 360 consoles, selling an additional 25 million units after the launch of Xbox One.

We also believe trends in how developers are utilizing audio in video games suggest that the benefits of chat functionality will increasingly drive demand for gaming headsets. In some recent game releases, such as *Grand Theft Auto 5*, players can control action in the game using their voice, including scenarios in which the game will respond to the tone and volume of the player s voice. We believe the latest generation of multiplayer and co-operative games, which emphasize and reward collaboration among players, will also stimulate demand for gaming headsets by giving players the ability to communicate with their teammates. Additionally, as headsets become more advanced and continue to provide their users an advantage during gameplay, we expect non-users of headsets will want to keep up with the competition by adopting headsets as well.

Expand Distribution and Improve Retail Presence

Total points of distribution is a standard retail trade term used to summarize distribution breadth by multiplying the number of retail outlets selling a product by the number of those products in each location. It takes into account how widely products are available and how many items are available. Points of distribution for Turtle Beach headsets nearly tripled from 2011 to 2013, increasing from approximately 128,000 to approximately 370,000. Turtle Beach branded headsets are now distributed in 44 countries.

We anticipate growing points of distribution in 2014, primarily in international markets, by both expanding our retail footprint into new markets and growing market share in existing markets. Recent efforts to expand our international distribution include adding distribution in Poland and Russia as part of our efforts to expand distribution in Eastern Europe, appointing Industrial Distribution Group as our new sales representation partner for Latin America, expanding distribution in Asia to include Singapore, Malaysia, Thailand and the Philippines, and appointing Acton as the exclusive distributor of Turtle Beach gaming headsets in China and Hong Kong to meet the growing demand for headsets and video game accessories from Chinese consumers.

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We view our strong retail presence which combines trade marketing, product packaging, point-of-sales displays, in-store training, and interactive retail displays as a competitive advantage and we intend to continue to seek incremental value from our point-of-sale efforts. In 2014, we anticipate expanding and improving our network of 16,000 interactive retail displays, which allow consumers to sample headsets at the point-of-sale.

Broaden our Product Offerings

We have been pursuing non-gaming applications for our headset technology, including entertainment in the home and mobility on the road, through the integration of new technology, the introduction of new products and strategic marketing.

Home Entertainment. As the game console has evolved from a dedicated video game platform to a home entertainment hub, Turtle Beach headsets have evolved as well. With a combination of cross-platform versatility and audio presets for different listening scenarios, Turtle Beach premium headsets transition from gaming, to movies, to music and to online chat and voice calls. Dual-Band Wi-Fi and dual-pairing Bluetooth are designed to provide both interference-free communication and the flexibility to use the headset with the growing number of smart wireless devices in the home. Our collaboration to create audio solutions for the next-generation Xbox One console, and the release of the iSeries media headsets, pair us with two major brands in the home entertainment space Microsoft and Apple. We expect these relationships to help us continue to expand our presence in the broader home entertainment market.

Mobile. The shift to touchscreen mobile handsets and growing adoption of touch-screen tablets that has occurred in recent years spurred significant growth in the use of mobile devices and mobile gaming. We expect consumer spending on mobile accessories to increase, and the role of mobile devices to be central to consumer s lifestyles. According to sales tracking by NPD, U.S. sales of stereo headphones priced above $100 grew 25% year over year from the first quarter of 2012 to the first quarter of 2013, and accounted for 95% of the revenue growth for the total headphone market. We believe this trend will continue and is driven by consumers desire to improve their audio experience when listening to games, music and movies on their mobile devices.

In addition, we believe that gaming is both a driver and a beneficiary of the growth in the mobile device market. According to a study entitled *Understanding Tablet Use: A Multi-Method Exploration* compiled by Google, gaming currently represents the second most frequent use of a tablet (after checking email), and ranks ahead of making phone calls, emails and texting on smartphones.

The majority of Turtle Beach wired headsets, and even some wireless headsets, include a standard 3.5 mm audio connection or an adaptor cord to make them compatible with many mobile devices. Turtle Beach wireless headsets use Bluetooth technology to allow the headsets to be used with mobile devices to take calls, video chat, watch video, game and stream music. We believe this emphasis on mobile compatibility will create a competitive advantage as consumers look for flexible, mobile-ready audio solutions.

We expect the launch of the iSeries product line to increase brand awareness outside of gaming and position Turtle Beach headsets as a multi-purpose audio solution for a broader set of media applications, including mobile gaming, music, video and communications.

PC Gaming. Penetration of PC gaming varies by country, with PC gaming holding a majority share over consoles in some markets and holding a smaller share in others, but the overall market is large and growing. In February 2014, DFC raised its forecast for the global PC gaming market in 2014 from $22 billion to $25 billion. We believe growing our PC gaming portfolio and market share will contribute to our growth internationally, especially in Europe and Asia.

In addition, increasing our share will contribute to growth in U.S. revenues. The NPD Group s Retail Tracking Service reports domestic revenue growth was 35% for gaming designed PC headsets from 2012 to 2013, with the category reaching $47 million in annual sales.

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In 2013, we introduced a new line of PC products to grow our PC gaming headset market share. The tournament-grade, surround sound Z SEVEN, the wireless surround sound Z300, and the stereo Z22 were all introduced during 2013. The headsets have received positive reviews from game and PC publications, including a category-leading 9.7 out of 10 score for the Z SEVEN from *Top Ten Reviews*. In January 2014 we announced the Z60, which we anticipate will be the first PC gaming headset on the market to feature DTS Headphone:X surround sound when it launches in the summer of 2014.

New Audio Product Categories. An element of our growth strategy is to find complimentary categories of audio products that can leverage our core strengths and contribute to growth. Over the past 12 months, we have evaluated a number of additional audio technologies for potential acquisition. We believe that the Merger was the first step in our pursuit of multiple additional new product categories based on unique audio technology. We plan to rely on our core capabilities to develop, commercialize and sell audio technology products outside of the gaming headset category.

Create Valuable Strategic Relationships

We believe that our strategic relationships with console manufacturers, software developers, eSports leagues and gameplay and streaming communities will contribute to growth in 2014 and beyond. We actively negotiate with potential and existing collaborators and licensees regarding new licensing opportunities, products and promotions, and believe that we have a robust pipeline for 2014.

Develop HyperSound Products and Licensing Opportunities

Continued development and enhancement of our HyperSound technology is a key part of our strategy. We expect to grow our existing commercial HyperSound product sales and to leverage our intellectual property by working with large OEMs, commercial integrators and kiosk manufacturers to accelerate HyperSound product acceptance into our target market areas. We also expect to launch a room based audio product in the health care segment which we believe will improve the volume and clarity of audio for people with hearing impairments, leveraging the FDA clearance to market HyperSound as a hearing improvement device. Unlike hearing aids, this product will work to provide a better listening experience for television, music, and other audio from across a room by creating a zone of enhanced audio for a listener with hearing impairments. This product is currently in development with an expected launch in 2015. We intend to continue to strengthen our position as a leader in directed audio by improving our HyperSound technology, broadening our HyperSound product line, identifying new directed audio applications, acquiring new development and OEM partners, recruiting new commercial integrators, expanding relationships with existing collaborators and licensees, and developing worldwide awareness of the benefits of directed audio and awareness of our HyperSound brand. In addition, we plan to license our HyperSound technology and work with licensees to help develop and commercialize products outside of the segments where we are currently creating products. We believe that we can develop a position as an audio innovator by employing the strategy of designing a stream of patented audio products, penetrating new licensing accounts and developing strong brand awareness.

Corporate Information

On January 15, 2014, we completed the Merger of Parametric Sound s wholly-owned subsidiary, Paris Acquisition Corp., a Delaware corporation, or Merger Sub, with and into VTB Holdings, Inc., or VTB, a Delaware corporation, which operates the Turtle Beach business, in accordance with the terms and conditions of the Agreement and Plan of Merger dated August 5, 2013 among the Company, VTB and Merger Sub. As a result of the Merger, VTB, the surviving entity in the Merger, became a wholly-owned subsidiary of Parametric Sound.

Parametric Sound was incorporated in Nevada on June 2, 2010 as a new, wholly owned subsidiary of LRAD Corporation in order to effect the separation and spin-off of our HyperSound business. On September 27, 2010, the spin-off was completed and Parametric Sound became a stand-alone, independent, publicly traded company. Turtle

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Beach has been operating since it was founded in 1975. In 1996, Turtle Beach merged with Voyetra Technologies, also founded in 1975, and the combined company began operating under the name Voyetra Turtle Beach.

Our corporate office is located at 13771 Danielson Street, Suite L, Poway, California 92064. Our telephone number is 888-477-2150. Additional corporate information about us is available on our website at www.parametricsound.com. The information contained on or that may be obtained from our website is not, and shall not be deemed to be, a part of this prospectus supplement or the accompanying prospectus.

Recent Developments

Preliminary Results for the Quarter Ended March 31, 2014

Set forth below is selected preliminary, unaudited, consolidated financial data for the quarter ended March 31, 2014 based on currently available information and management estimates. The selected financial data is unaudited, has not been reviewed by our independent registered public accounting firm, has been prepared by, and is the responsibility of, our management and is subject to the completion of our financial closing process. Our consolidated financial statements for this period have not yet been completed and are not yet available. Our consolidated financial statements as of, and for the quarter ended March 31, 2014 will be included in our first quarterly report on Form 10-Q to be filed with the Securities and Exchange Commission following this offering. Our actual results may change from those set forth below as a result of the completion of our consolidated financial statements, financial adjustments and other developments that may arise between now and the time the financial results for this period are finalized, and those changes could be material.

Our net revenue for the quarter ended March 31, 2014 is expected to be between $36 million and $38 million, which would represent an increase of between approximately 21.9% and 28.7% compared to the same period in 2013.

Loan Agreement

On March 31, 2014, we and certain of our subsidiaries entered into a new asset based revolving credit agreement (the Loan Agreement). The Loan Agreement was entered into by and among Parametric Sound Corporation, Voyetra Turtle Beach, Inc. (together, the US Borrowers), Turtle Beach Europe Limited (the UK Borrower , and together with the US Borrowers, the Borrowers), PSC Licensing Corp. (PSC), and VTB Holdings, Inc. (VTB and, together with PSC, the US Guarantors , and together with the US Borrowers, the UK Guarantors); and Bank of America, N.A., as Agent, Sole Lead Arranger and Sole Bookrunner. The Loan Agreement is a $60.0 million credit facility with designated sub-facility limits of $50.0 million for the US Borrowers and $10.0 million for the UK Borrower. Credit availability under the Loan Agreement is subject to a borrowing base limitation that is calculated based on a percentage of eligible trade accounts receivable and inventories. The Loan Agreement matures in five years. Obligations of the US Borrowers are guaranteed by PSC and VTB. The obligations of the UK Borrower are guaranteed by the US Borrowers, PSC and VTB. The Loan Agreement is secured by a first priority security interest in all of the working capital assets, including trade accounts receivable, inventories, and intellectual property of the Borrowers and all other assets of the UK Borrower. Borrowings will bear interest at a rate that varies depending on the type of loan and the Borrower. The interest rate will be calculated using a base rate plus a margin. Depending on the type of loan, the base rate will either be a rate published by Bank of America or LIBOR. The margin will range from 1.00% to 1.50% for U.S. base rate loans and from 2.00% to 2.50% for U.S. LIBOR loans and U.K. loans. The Loan Agreement also provides for an unused line fee, letter of credit fees and agent fees.

Corporate Name Change

We are in the process of changing our corporate name to Turtle Beach Corporation. Our CUSIP number will also change as a result of our name change. We expect this process to be completed in May 2014.

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The Offering

Common stock offered by us	4,000,000 shares
Common stock to be outstanding after this offering	41,613,648 shares (or 42,213,648 shares if the underwriters over-allotment option is exercised in full)
Use of proceeds	We intend to use the proceeds from this offering to repay certain subordinated notes, together with accrued interest thereon, to repay debt under the Loan Agreement and for working capital and other general corporate purposes. See Use of Proceeds on page S-37 of this prospectus supplement.
Risk factors	Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-17 of this prospectus supplement.
NASDAQ Global Market symbol	HEAR (as of April 14, 2014); PAMT (prior to April 14, 2014)

Except as otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase from us up to an additional 600,000 shares of our common stock to cover over-allotments.

The number of shares to be outstanding after this offering is based on 37,613,648 shares of common stock outstanding as of February 26, 2014. It does not include:

- 6,170,807 shares of our common stock issuable upon exercise of stock options outstanding as of February 26, 2014, at a weighted average exercise price of $6.59 per share;
- 1,739,976 shares of our common stock that are available as of February 26, 2014 for future grant or issuance pursuant to our 2013 Stock-Based Incentive Compensation Plan, as amended; and
- 70,874 shares of common stock issuable upon the exercise of warrants outstanding as of February 26, 2014 at a weighted-average exercise price of $5.28 per share.

Except as otherwise indicated, all financial information in this prospectus supplement for periods ending on or prior to December 31, 2013 reflect the financial information of VTB Holdings, Inc., representing the Turtle Beach headset business. VTB Holdings is the acquirer for accounting purposes in the Merger and, accordingly, financial results of Parametric Sound and the historic Hypersound business will only be included for periods after the January 15, 2014 date of the Merger.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The Merger has been accounted for as a reverse acquisition. As such, the financial statements of VTB Holdings, Inc., or VTB, representing the Turtle Beach headset business, are treated as our historical financial statements, with the results of Parametric Sound to be included from January 15, 2014. Our annual report on Form 10-K for the year ended September 30, 2013 and quarterly report on Form 10-Q for the quarter ended December 31, 2013 contain financial information that relates only to pre-Merger Parametric Sound. Effective as of the Merger, we changed our fiscal year from September 30 to December 31 to correspond to the fiscal year of VTB. The summary historical consolidated financial data set forth below is derived from the audited consolidated financial statements of VTB and its subsidiaries and may not be indicative of our future operating results. The following summary historical consolidated financial data should be read in conjunction with Unaudited Pro Forma Combined Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere in this prospectus supplement.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except per share data)		
Statement of Operations Data:			
Net revenue	$ 166,121	$ 207,136	$ 178,470
Cost of revenue	96,536	132,795	128,141
Gross profit	69,585	74,341	50,329
Total operating expenses	31,317	31,431	48,731
Operating income	38,268	42,910	1,598
Total other expense, net	2,932	2,442	6,671
Income (loss) before provision for income taxes	35,336	40,468	(5,073)
Provision for income taxes	13,782	14,008	1,090
Net income (loss)	$ 21,554	$ 26,460	$ (6,163)
Net income (loss) attributable to common stockholders:			
Basic	$ 8,855	$ 1,611	$ (6,163)
Diluted	$ 8,855	$ 1,611	$ (6,163)
Net income (loss) per share attributable to common stockholders:			
Basic	$ 0.26	$ 0.05	$ (0.17)
Diluted	$ 0.25	$ 0.04	$ (0.17)
Weighted-average shares used to computing net income (loss) per share attributable to common stockholders:			
Basic	33,952	35,282	35,282

Diluted	34,924	36,265	35,282
Other Financial Data:			
Net cash provided by operating activities	$ 2,401	$ 5,000	$ 18,290
Net cash used in investing activities	(1,634)	(11,280)	(6,167)
Net cash provided by (used in) financing activities	7,185	(4,364)	(11,017)
Adjusted EBITDA (1)	52,092	47,363	13,851

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(1) Adjusted EBITDA represents net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), payments to founders, bargain purchase gain and certain business transaction expenses. The term Adjusted EBITDA is not defined under U.S. generally accepted accounting principles, or U.S. GAAP, and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation, or as a substitute for net income (loss) or other consolidated income statement data prepared in accordance with U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only as a supplemental measure. Some of these limitations include, but are not limited to:

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

Adjusted EBITDA does not reflect income taxes or the cash requirements for any tax payments; and

other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We believe Adjusted EBITDA provides useful information to investors about us and our financial condition and results of operations for the following reasons: (i) it is one of the measures used by our board of directors and management team to evaluate our operating performance; (ii) it is one of the measures used by our management team to make day-to-day operating decisions; (iii) the adjustments made in our calculation of Adjusted EBITDA (business transaction costs, payments to our founders, bargain purchase gain and stock-based compensation) are often viewed as either non-recurring or not reflective of ongoing financial performance or have no cash impact on operations; and (iv) it is used by securities analysts, investors and other interested parties as a common operating performance measure to compare results across companies in our industry by backing out potential differences caused by variations in capital structures (affecting relative interest expense), and the age and book value of facilities and equipment (affecting relative depreciation expense).

Adjusted EBITDA (and a reconciliation to net income (loss), the nearest GAAP financial measure) for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Year Ended December 31,		
	2011	**2012**	**2013**
		(in thousands)	
Net income (loss)	$ 21,554	$ 26,460	$ (6,163)
Interest expense, net	2,932	4,738	6,626
Depreciation and amortization	700	2,606	5,344
Stock-based compensation	3,749	985	2,563
Provision for income taxes	13,782	14,008	1,090
Business transaction costs	9,375	342	3,864

Payments to founders		527	527
Bargain purchase gain		(2,303)	
Adjusted EBITDA	$ 52,092	$ 47,363	$ 13,851

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Balance Sheet Data:

The following table presents a summary of our selected unaudited balance sheet data as of December 31, 2013:

on an actual basis;

on a pro forma basis to give effect to the incurrence of $7.0 million in subordinated notes in January 2014 prior to the Merger (the proceeds of which were used to pay down an equivalent amount under the term loan) and the Merger; and

on a pro forma as adjusted basis to give effect to the incurrence of $7.0 million in subordinated notes in January 2014 prior to the Merger (the proceeds of which were used to pay down an equivalent amount under the term loan), the Merger, the sale of 4,000,000 shares of our common stock in this offering and the receipt of an estimated $35.6 million of net proceeds therefrom (after deducting the underwriting discount and estimated offering expenses payable by us), and the application of $27.7 million of such net proceeds to repay all of the outstanding subordinated notes, together with accrued interest thereon, and the $10.0 million repayment required pursuant to the terms of the Loan Agreement.

	As of December 31, 2013		
	Actual	Pro Forma	Pro Forma As Adjusted
		(in thousands)	
Cash and cash equivalents	$ 6,509	$ 11,177	$ 19,077
Total assets	127,307	246,936	254,836
Revolving line of credit (1)	39,736	39,736	29,736(3)
Term loan (2)	14,500	7,500	7,500
Subordinated notes	10,342	17,342	
Series B redeemable preferred stock	13,713	13,713	13,713
Series A convertible stock	24,345		
Stockholders (deficit) equity	(35,138)	90,954	126,196

(1) Relates to the revolving line of credit under our former Loan and Security Agreement, as described in more detail under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt Obligations Revolving Line of Credit. As of March 31, 2014, this revolving line of credit was terminated, satisfied in its entirety and replaced in connection with our entering into the Loan Agreement, as described in more detail under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Subsequent Events Loan Agreement. In connection with this termination, $2.2 million of unamortized debt issuance costs related to the former revolving line of credit were written off. As of March 31, 2014, there was $34.3 million outstanding under the revolving line of credit under the Loan Agreement and $0.3 million of related debt issuance costs had been capitalized.

(2) Relates to the term loan under our former Loan and Security Agreement, as described in more detail under the heading Management s Discussion and Analysis of Financial Condition and Results of

Operations Liquidity and Capital Resources Debt Obligations Term Loan. As of February 28, 2014, the term loan was terminated and satisfied in its entirety.

(3) Gives effect to the $10.0 million repayment required pursuant to the terms of the Loan Agreement in connection with our repayment of the subordinated notes. For purposes of this pro forma as adjusted column, the $10.0 million repayment is shown as deducted from the balance outstanding as of December 31, 2013 under our former revolving line of credit under our Loan and Security Agreement. Under the Loan Agreement, subject to our having the requisite availability under our revolving line of credit following such repayment, we may immediately reborrow the amount repaid. As of March 31, 2014, there was $34.3 million outstanding under the revolving line of credit under the Loan Agreement and $0.3 million of related debt issuance costs had been capitalized.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. Before deciding whether to invest in our common stock, you should consider carefully the risks described below and in the accompanying prospectus, as well as the risk factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. If any of these risks actually occurs, our business, financial condition, results of operation or cash flow could be seriously harmed. This could cause the trading price of our common stock to decline, resulting in a loss of all or part of your investment.

Risks Related to our Headset Business

The current console platform transition has adversely affected, and future transitions in console platforms may adversely affect, our headset business.

In 2005, Microsoft released the Xbox 360, in 2006, Sony introduced the PlayStation 3 and in 2012, Nintendo introduced the Wii U. Sony launched its next-generation console, PlayStation 4, on November 15, 2013, and Microsoft launched its next-generation console, Xbox One, on November 22, 2013. When new console platforms are announced or introduced into the market, consumers typically reduce their purchases of game console peripherals and accessories, including headsets, for current console platforms in anticipation of new platforms becoming available. During these periods, sales of game console headsets such as those sold by us may slow or decline until new platforms are introduced and achieve wide consumer acceptance, which we cannot guarantee. This decrease or decline may not be offset by increased sales of products for the new console platforms. In addition, as a third party gaming headset company, we are dependent on the console manufacturers to ensure that our headsets are compatible with the new console platforms, which if not done on a timely basis, has adversely affected and may in the future adversely affect sales. For example, the headset adapter that was provided to us by Microsoft for inclusion with new gaming headsets for the Xbox One was not available until March 2014 even though the console platform was available starting in November 2013.

As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions, and decreasing prices may put downward pressure on prices for Turtle Beach products for such platforms. During platform transitions, we may simultaneously incur costs both in continuing to develop and market new products for prior-generation video game platforms, which may not sell at premium prices, and also in developing products for current-generation platforms, which will not generate immediate or near-term revenue. As a result, our operating results during platform transitions are more volatile and more difficult to predict than during other times.

A significant portion of our Turtle Beach revenue is derived from a few large customers, and if any of these customers chooses to terminate its relationship with us or reduce its spending on our products, our financial condition and results of operations would suffer.

A substantial portion of our Turtle Beach sales are generated from a small number of large customers. Our top three customers, Best Buy Co., Inc., GameStop Corp. and Wal-Mart Stores, Inc., accounted for a total of approximately 45% of our Turtle Beach gross sales in fiscal 2013, 46% of our Turtle Beach gross sales in fiscal 2012 and 52% of our Turtle Beach gross sales in fiscal 2011.

We do not have long-term agreements with these or other significant Turtle Beach customers and our agreements with these customers do not require them to purchase any specific number or amount of Turtle Beach products; all of our Turtle Beach customers generally purchase from us on a purchase order basis. As a result, agreements with respect to pricing, returns, cooperative advertising or special promotions, among other things, are subject to periodic negotiation with each customer. No assurance can be given that these or other Turtle Beach customers will continue to do business with us or that they will maintain their historical levels of business. The loss of, or financial difficulties experienced by, any of our significant customers, including as a result of the

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bankruptcy of a customer, could have a material adverse effect on our business, results of operations, financial condition and liquidity. In addition, the uncertainty of product orders can make it difficult to forecast our sales and allocate our resources in a manner consistent with actual sales, and our expense levels are based in part on our expectations of future Turtle Beach sales. If our expectations regarding future Turtle Beach sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls. In addition, financial difficulties experienced by a significant customer could increase our exposure to uncollectible receivables and the risk that losses from uncollected receivables exceed the reserves we have set aside in anticipation of this risk.

We depend upon third-party gaming platforms to drive sales of our Turtle Beach products.

The performance of our Turtle Beach business is affected by the continued success of third-party gaming platforms, such as Microsoft Xbox and Sony PlayStation, as well as videogames by such manufacturers and other publishers. Our Turtle Beach business could suffer if any of these parties fail to continue to drive the success of these platforms, develop new or enhanced videogame platforms or popular game and entertainment titles for current or future generation platforms. If a platform is withdrawn from the market or fails to sell, we may be forced to liquidate our Turtle Beach inventories relating to that platform or accept returns resulting in significant losses.

In addition, Turtle Beach is currently one of only two announced audio companies licensed and approved by Microsoft to develop and sell Xbox One compatible audio products. In order for headsets to receive integrated voice and chat audio from the Xbox One, a Microsoft proprietary hardware adapter is currently required, and in the future a Microsoft proprietary computer chip will be required, to receive the integrated voice and chat audio. As a result, with respect to our Turtle Beach products designed for the Xbox One, we are currently reliant on Microsoft to provide us with sufficient quantities of the headset adapters, and in the future will rely on Microsoft or their designated supplier to provide us with sufficient quantities of the chips. If we are unable to obtain sufficient quantities of these headset adapters or chips, sales of our Xbox One headsets and consequently our revenues would be adversely affected.

We must make significant expenditures to develop Turtle Beach products for new platforms and may not recover those costs, which would cause our results of operations to suffer.

We must make substantial product development and other investments to align our product portfolio and development efforts in response to market changes. Furthermore, development costs for new console platforms are greater than those costs for current console platforms. If increased costs are not offset by higher revenues and other cost efficiencies, our operating results and financial position will suffer. If the platforms for which we develop new Turtle Beach products or modify existing Turtle Beach products do not attain significant market penetration, we may not be able to recover our development costs, which could be significant, and our business and financial results could suffer. Additionally, if Sony or Microsoft do not produce and timely release sufficient quantities of their next-generation consoles, our sales of headsets for the next-generation consoles could be adversely affected, making it more difficult to recover our development costs for the next-generation consoles.

In addition, our Xbox One headsets require Xbox One console-specific components and software to function. If the required components are not produced in sufficient quantities or the required software is not released on a timely basis or at all, our ability to sell headsets for the Xbox One would be reduced or eliminated, and our business and financial results could suffer. For example, the Xbox One Headset Adapter, built by Microsoft and provided to us for inclusion with new gaming headsets, was not available until March 2014, which adversely affected sales of gaming headsets prior to that date and increased our costs to package and ship those headsets with the adapter in order to meet our product delivery deadlines.

Our financial results are dependent on timely introduction of new Turtle Beach products, and any failure or delay in the introduction of new Turtle Beach products to the marketplace may have a material adverse effect on our business and results of operations.

There are numerous steps required to develop a product from conception to commercial introduction and to ensure timely shipment to retail customers, including designing, sourcing and testing the electronic components,

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receiving approval of hardware and other third-party licensors, factory availability and manufacturing and designing the graphics and packaging. Any difficulties or delays in the product development process will likely result in delays in the contemplated product introduction schedule. It is common in new product introductions or product updates to encounter technical and other difficulties affecting manufacturing efficiency and, at times, the ability to manufacture the product at all. Although these difficulties can be corrected or improved over time with continued manufacturing experience and engineering efforts, if one or more aspects necessary for the introduction of products are not completed as scheduled, or if technical difficulties take longer than anticipated to overcome, the product introductions will be delayed, or in some cases may be terminated. No assurances can be given that Turtle Beach products will be introduced in a timely fashion, and if new Turtle Beach products are delayed, our sales and revenue growth may be limited or impaired.

Some of our Turtle Beach products have been only recently introduced and although they may experience strong initial market acceptance, no assurance can be given that any initial acceptance will result in future sales or that our new products will exhibit levels of market acceptance similar to our existing products. As a general matter, we expect that sales of these Turtle Beach products will decline over the product s life cycle. We cannot predict the length of the life cycle for any particular product. In order to control costs, and take advantage of the limited shelf space provided to us, we may discontinue some of our Turtle Beach product offerings. Our long-term operating results will therefore depend largely upon our continued ability to conceive, develop and introduce new appealing Turtle Beach products at competitive prices.

The gaming industry is subject to rapid technological change, and if we do not adapt to, and appropriately allocate our resources among, emerging technologies, our revenues could be negatively affected.

Technology changes rapidly in the gaming industry. We must anticipate and adapt our Turtle Beach products to emerging technologies in order to keep those products competitive. When we choose to incorporate a new technology into a Turtle Beach product or to develop a Turtle Beach product for a new platform or operating system, we are often required to make a substantial investment prior to the introduction of the product. If we invest in the development of a new technology or for a new platform that does not achieve significant commercial success, our revenues from those products likely will be lower than anticipated and may not cover our development costs. Further, our competitors may adapt to an emerging technology more quickly or effectively than we do, creating products that are technologically superior to ours, more appealing to consumers, or both. If, on the other hand, we elect not to pursue the development of products incorporating a new technology or for new platforms that achieve significant commercial success, our revenues could also be adversely affected. It may take significant time and resources to shift product development resources to that technology or platform and may be more difficult to compete against existing products incorporating that technology or for that platform. Any failure to successfully adapt to, and appropriately allocate resources among, emerging technologies could harm our competitive position, reduce our share and significantly increase the time it takes us to bring popular products to market.

The major videogame console manufacturers do not currently manufacture a large number of products that compete with our Turtle Beach headsets. These manufacturers could increase their level of competition in the future, which could have a materially adverse impact on our business.

Of the main console manufacturers, only Sony and Microsoft presently manufacture and sell headsets that compete with Turtle Beach headsets. If either Sony or Microsoft increases its product offerings that are competitive with Turtle Beach headsets, our revenues could decline. In addition, the console manufacturers could fail to grant licenses to us, or implement new technologies, through hardware or software, which would cause Turtle Beach headsets to become incompatible with that hardware manufacturer s console, in each case to increase the sales of the hardware manufacturer s own competing products. If Sony or Microsoft takes any of these actions, they could cause unanticipated delays in the release of Turtle Beach products as well as increases to projected development, manufacturing, marketing or distribution costs, any of which could harm our business and financial results.

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

Any defects or errors in the operation of Turtle Beach products may result in delays in their introduction. In addition, errors or defects may be uncovered after commercial shipments have begun, which could result in the rejection of Turtle Beach products by our customers, damage to our reputation, lost sales, diverted development resources and increased customer service and support costs and warranty claims, any of which could harm our business. A product recall would be harmful to us because it would detract management s attention from implementing our core business strategies. A significant product defect or product recall could materially and adversely affect our brand image, causing a decline in our sales, and could reduce or deplete our financial resources.

If our design and marketing efforts do not effectively extend the recognition and reputation of our Turtle Beach brand, we may not be able to successfully implement our growth strategy.

We believe that our ability to extend the recognition and favorable perception of our Turtle Beach brand is critical to implement our growth strategy, which includes further establishing our position in existing gaming headsets, developing a strong position in new console headsets, expanding beyond existing console, PC and mobile applications to new technology applications, accelerating our international growth and expanding complementary product categories. To extend the reach of our Turtle Beach brand, we believe we must devote significant time and resources to product design, marketing and promotions. These expenditures, however, may not result in a sufficient increase in net sales to cover such expenses.

Our headset pricing and product return policies and other promotional activities may negatively impact our sales and profitability and harm our business, results of operations and financial condition.

In the event that a competitor of our Turtle Beach business reduces its prices, we could be forced to respond by lowering our prices to remain competitive. If we are forced to lower prices, we may be required to price protect the Turtle Beach products that remain unsold in our customers inventories at the time of the price reduction. Price protection results in our issuing a credit to our customers in the amount of the price reduction for each unsold unit in that customer s inventory. Our price protection policies, which are customary in the Turtle Beach industry, can have a major impact on our sales and profitability. We may experience increased price competition, which could lead to price protection, as we continue to introduce new and enhanced products.

To the extent we introduce new versions of Turtle Beach products or change our product sales mix, the rate of Turtle Beach product returns may increase above historical levels. Although we establish allowances for anticipated Turtle Beach product returns and believe our existing accounting policies have resulted in allowances that are adequate, there can be no assurance that such product return obligations will not exceed our allowances in the future, which would have a material adverse effect on our future operating results and financial condition.

Our Turtle Beach net sales and operating income fluctuate on a seasonal basis and decreases in sales or margins during peak seasons could have a disproportionate effect on our overall financial condition and results of operations.

Historically, a majority of our Turtle Beach annual revenues have been generated during the holiday season. As a result, our Turtle Beach net sales and gross margins are typically higher in the fourth quarter and lower in the first, second and third quarters, as fixed operating costs are spread over the differing levels of sales volume. Given the strong seasonal nature of our Turtle Beach sales, appropriate forecasting is critical to our Turtle Beach operations. We anticipate that this seasonal impact on our Turtle Beach net sales is likely to continue and any shortfall in expected fourth quarter net sales would cause our annual results of operations to suffer significantly.

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For example, our inability to package and ship headsets compatible with the Xbox One console during the fourth quarter of 2013 adversely affected our results of operations for 2013.

If we do not accurately forecast demand for particular Turtle Beach products, we could incur additional costs or experience manufacturing delays, which could adversely affect our results of operations.

Demand for Turtle Beach products depends on many factors such as consumer preferences and the introduction or adoption of game platforms and related content, and can be difficult to forecast. It may become more difficult to forecast demand for Turtle Beach products as we enter additional markets and as competition in our Turtle Beach business markets intensifies. If we misjudge the demand for Turtle Beach products, we could face the following problems in our operations, each of which could harm our operating results:

- If our forecasts of demand for Turtle Beach products are too high, we may accumulate excess inventories of products, which could lead to markdown allowances or write-offs affecting some or all of such excess inventories. We may also have to adjust the prices of our existing products to reduce such excess inventories.

- If demand for specific Turtle Beach products increases beyond what we forecast, our suppliers and third-party manufacturers may not be able to increase production rapidly enough to meet the demand. Our failure to meet market demand would lead to missed opportunities to increase our base of users, damage our relationships with retailers and harm our business.

- The launch of next-generation consoles increases the likelihood that we could fail to accurately forecast demand for our next-generation console headsets and our existing headsets.

- Rapid increases in production levels to meet unanticipated demand could result in increased manufacturing errors, as well as higher component, manufacturing and shipping costs, all of which could reduce our profit margins and harm our relationships with retailers and consumers.

The manufacture and supply of Turtle Beach products are dependent upon a limited number of third parties, and our success is dependent upon (i) the ability of these parties to manufacture and supply us with sufficient quantities of Turtle Beach products and (ii) the continued viability and financial stability of these third-party suppliers.

We rely on a limited number of manufacturers and suppliers for Turtle Beach products. There can be no assurance that these manufacturers and suppliers will be able to manufacture or supply us with sufficient quantities of Turtle Beach products to ensure consumer availability. In addition, these parties may not be able to obtain the raw materials, components, or energy supply required to manufacture sufficient quantities of Turtle Beach products. Moreover, there can be no assurance that such manufacturers and suppliers will not refuse to supply us with Turtle Beach products at prices we deem acceptable, and independently market their own competing products in the future, or will not otherwise discontinue their relationships with or support of us. Our failure to maintain these existing manufacturing and supplier relationships, or to establish new relationships on similar terms in the future, could have a material adverse effect on our business, results of operations, financial condition and liquidity. We do not have long-term agreements with our key suppliers, and if our suppliers are unable or unwilling for any reason to supply us with a sufficient quantity of Turtle Beach products, our business, results of operations and financial condition would be materially adversely affected. If any of our key suppliers became financially unstable, our access to these products might be jeopardized, thereby adversely affecting our business, financial condition and operational results.

Any shortage of raw materials or components could impair our ability to ship orders of Turtle Beach products in a cost-efficient manner or could cause us to miss the delivery requirements of our retailers or distributors, which could harm our business.

The ability of our manufacturers to supply Turtle Beach products is dependent, in part, upon the availability of raw materials and certain components. Our manufacturers may experience shortages in the availability of raw materials or components, which could result in delayed delivery of Turtle Beach products to us or in increased costs to us. Any shortage of raw materials or components or inability to control costs associated with manufacturing could increase the costs for Turtle Beach products or impair our ability to ship orders in a timely cost-efficient manner. As a result, we could experience cancellation of orders, refusal to accept deliveries or a reduction in our prices and margins, any of which could harm our financial performance and results of operations.

We face business, political, operational, financial and economic risks because all of our Turtle Beach products are currently manufactured outside of the United States and a portion of our Turtle Beach net sales are generated internationally.

In 2013, all of our Turtle Beach products were manufactured in China. In addition, for the year ended December 31, 2013 international net revenues were approximately 30% of net revenues. As a result, we face business, political, operational, financial and economic risks inherent in international business, many of which are beyond our control, including:

- trade restrictions, higher tariffs, currency fluctuations or the imposition of additional regulations relating to import or export of Turtle Beach products, especially in China, where all of our Turtle Beach products are manufactured, which could force us to seek alternate manufacturing sources or increase our expenses, either of which could have a material adverse effect on our results of operations;

- difficulties obtaining domestic and foreign export, import and other governmental approvals, permits and licenses, and compliance with foreign laws, which could halt, interrupt or delay our operations if we cannot obtain such approvals, permits and licenses, and that could have a material adverse effect on our results of operations;

- difficulties encountered by our international distributors or us in staffing and managing foreign operations or international sales, including higher labor costs, which could increase our expenses and decrease our net sales and profitability;

- transportation delays and difficulties of managing international distribution channels, which could halt, interrupt or delay our operations;

- longer payment cycles for, and greater difficulty collecting, accounts receivable, which could reduce our net sales and harm our financial results;

- political and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions, any of which could materially and adversely affect our net sales and results of operations; and

- natural disasters, which could have a material adverse effect on our results of operations.

Any of these factors could reduce our net sales, decrease our gross margins or increase our expenses. Should we establish our own operations in international territories where we currently utilize a distributor, we will become subject to greater risks associated with operating outside of the United States.

Any loss of China s Normal Trade Relations, or NTR, with the United States, or any changes in tariffs or trade policies, could increase our manufacturing expenses and make it more difficult for us to manufacture our Turtle Beach products in China.

Our Turtle Beach products are manufactured in China and exported to the United States and worldwide. As a result of opposition to policies of the Chinese government and China s growing trade surpluses with the United States, there has been, and in the future may be, opposition to the extension of NTR status for China. The loss of NTR status for China, changes in current tariff structures or adoption in the United States of other trade policies adverse to China could increase our manufacturing expenses and make it more difficult for us to manufacture our products in China.

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Our business could suffer if any of our manufacturers fail to use acceptable labor practices.

All of our products are manufactured by third party manufacturers, and we do not control our manufacturers or their labor practices. The violation of labor or other laws by a manufacturer utilized by us, or the divergence of an independent manufacturer s labor practices from those generally accepted as ethical or legal in the United States, could damage our reputation or disrupt the shipment of finished products to us if such manufacturer is ordered to cease its manufacturing operations due to violations of laws or if such manufacturer s operations are adversely affected by such failure to use acceptable labor practices. If this were to occur, it could have a material adverse effect on our financial condition and results of operations.

Our license agreement with Microsoft may be terminated, which would reduce our Turtle Beach product offerings. In addition, Microsoft may grant similar licenses to other manufacturers, which could have an adverse impact on our revenues.

We are a party to a license agreement with Microsoft Corporation under which we have the right to manufacture (through third party manufacturers), market and sell audio products for the Xbox One videogame console, or the Xbox One Agreement. Our Xbox One headsets are dependent on this license. Microsoft has the right to terminate the Xbox One Agreement under certain circumstances set forth in the agreement. Should the Xbox One Agreement be terminated, our Turtle Beach product offerings may be limited, thereby significantly reducing our revenues.

We currently benefit from being one of the first companies to sell audio products compatible with the Xbox One. If and when Microsoft grants additional licenses to other manufacturers of audio products for the Xbox One, our ability to capitalize on our first-to-market opportunity will be decreased, which could adversely affect our business, results of operations and financial condition.

We face vigorous competition from other consumer electronics companies and this competition could have a material adverse effect on our financial condition and results of operations.

We compete with other producers of PC and video game console headsets, including video game console manufacturers themselves. In addition, because of our established position and reputation in the gaming industry, our competitors may target Turtle Beach products to a greater extent than other producers of similar products. Our competitors vary in size from small companies with limited resources to very large corporations with significantly greater financial, marketing and product development resources than ours. Those competitors are located both within the United States and, increasingly, in international jurisdictions. Our competitors may spend more money and time on developing and testing products, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors for motion picture, television, sports, music and character properties, or develop more commercially successful products for the PC or video game platforms than we do. In addition, competitors with large product lines and popular products typically have greater leverage with retailers, distributors and other customers, who may be willing to promote products with less consumer appeal in return for access to those competitors more popular products.

Risks Related to Our HyperSound Business

Our HyperSound business has not generated significant revenues, has a history of operating losses, expects additional losses and may not achieve or sustain profitability.

Substantially all our HyperSound revenues to date have been derived from sales to a limited number of customers. We must expand our customer base and introduce new products to generate additional revenues. Our HyperSound business has incurred operating losses since its spin-off in 2010, and we expect additional losses until we achieve revenues and resulting margins to offset our operating costs. We expect to expend significant resources on personnel, consultants, intellectual property protection, research and development, marketing, production and administration. Our HyperSound business net loss for the fiscal years ended September 30, 2013

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and 2012 was approximately $7.7 million and $4.5 million, respectively. Our ability to achieve future profitability is dependent on a variety of factors, many outside our control. Failure to achieve profitability or sustain profitability, if achieved, may require us to continue to obtain additional funding which could have a material negative impact on the market value of our common stock or be dilutive.

A significant portion of our HyperSound revenue has been derived from a few large customers and sales of one product category.

Our HyperSound business is dependent on one core technology and product category and limited products to generate revenues. We cannot assure you that these or other future products will achieve customer acceptance to attain a level of sales to support our HyperSound operating costs. The vast majority of our HyperSound product sales are generated from a small number of customers and we have no reported licensing revenue to date. Two customers accounted for 43% and 24% of our HyperSound total revenues in the fiscal year ended September 30, 2013 and three customers accounted for 30%, 16% and 16% of our HyperSound total revenues in the fiscal year ended September 30, 2012. We do not have long-term agreements with these or other customers and our agreements with these customers do not require them to purchase any specific number or amount of our products. As a result, agreements with respect to pricing, returns, promotions, among other things, are subject to periodic negotiation with each customer. No assurance can be given that these or other customers will continue to do business with us. The loss of any of our significant HyperSound customers could have an adverse effect on our business, results of operations, financial condition and liquidity. In addition, the uncertainty of HyperSound product orders can make it difficult to forecast our HyperSound sales and allocate our resources in a manner consistent with actual HyperSound sales, and our expense levels are based in part on our expectations of our future HyperSound sales. If our expectations regarding our future HyperSound sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls.

We must develop a larger customer base or generate license revenues in order to grow our HyperSound business.

To grow our HyperSound business we must develop relationships with new customers and obtain and fulfill increased orders from both prior and new customers. Our HyperSound sales to date have been limited to a few customers. We cannot guarantee that we will be able to develop a larger customer base. Further, even if we continue to retain prior customers and obtain new customers, we cannot guarantee that those customers will purchase sufficient quantities of our HyperSound products at prices that will enable us to recover our costs in acquiring those customers and fulfilling orders. We also cannot guarantee that we will be able to generate any future license revenues. Our ability to increase sales of our HyperSound products or generate license revenues depends on a number of factors, including:

- our ability to timely demonstrate or manufacture reliable products that have the features required by our HyperSound customers;
- our ability to develop relationships with new customers that will lead to sales of our HyperSound products or licensing of our HyperSound technology;
- our ability to develop and expand into new markets for our HyperSound audio products and technology; and
- our ability to develop international product distribution or licensing directly or through partners.

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

Our HyperSound technology is substantially different from proven, mass-produced sound transducer designs. Any performance limitations, defects or errors in the operation of our HyperSound products could result

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in the rejection of our HyperSound products by our HyperSound customers, damage to our reputation, lost sales, diverted development resources, increased customer service, adverse regulatory actions and warranty claims, any of which could harm our business. Complex components and assemblies used in our HyperSound products may contain undetected defects that are subsequently discovered at some point in the life of the product. Defects in our HyperSound products may result in a loss of sales, injury or other loss to customers, and may injure our reputation and increase our warranty or service costs. We may incur substantial and unpredictable warranty costs from post-production product or component failures. Defects and/or warranty costs could adversely affect our financial position, results of operations and business prospects.

End-users of our HyperSound products could sustain injuries from our HyperSound products, and we may be subject to claims or lawsuits resulting from such injuries including damage to hearing. A person claiming injury in connection with the use of our HyperSound products may bring legal action against us to recover damages on the basis of theories including personal injury, negligent design, dangerous product or inadequate warning. We may also be subject to lawsuits involving allegations of misuse of our HyperSound products. There is a risk that these claims or liabilities may exceed, or fall outside the scope of, our insurance coverage. We may also be unable to maintain adequate liability insurance in the future. We have limited financial and administrative resources to effectively manage a product recall, and it would detract management s attention from implementing our core business strategies. Significant litigation could also result in a diversion of management s attention and resources and negative publicity. A significant HyperSound product defect or HyperSound product recall could materially and adversely affect our brand image, cause a decline in our HyperSound sales, and could reduce or deplete our financial resources adversely affecting our financial results.

Our potential for rapid growth and our entry into new markets make it difficult for us to evaluate our current and future HyperSound business prospects, and we may be unable to effectively manage any growth associated with these new markets, which may increase the risk of your investment and could harm our business, financial condition, results of operations and cash flow.

We believe the development of our HyperSound technology, including electronics processing and emitter improvements, will enable us to enter targeted new markets and to expand our presence in our current HyperSound product markets. Because these improvements are relatively new, we may be unable to evaluate our future prospects in our current market and in new markets, particularly in light of our goals to continually grow our existing and new HyperSound customer base, expand our HyperSound product offerings, integrate complementary businesses and enter additional new markets. In addition, our potential growth, recent HyperSound product introductions and entry into new markets may place a significant strain on our resources and increase demands on our executive management, personnel and systems, and our operational, administrative and financial resources may be inadequate. We may also not be able to effectively manage any expanded operations, or achieve planned growth on a timely or profitable basis, particularly if the number of customers using our HyperSound products and services significantly increase or their demands and needs change as our business expands. If we are unable to manage expanded operations effectively, we may experience operating inefficiencies, the quality of our HyperSound products and services could deteriorate, and our business and results of operations could be materially adversely affected.

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

Our HyperSound technology emits ultrasonic vibrations and is regulated by the FDA, as well as the Federal Communications Commission, or the FCC. Although we believe we are in compliance with applicable FDA and FCC regulations, in the event of certain unanticipated defects in our HyperSound products, a customer or we may be required to comply with governmental requirements to remedy the defect and/or notify consumers of the problem.

This could lead to unanticipated expense, and possible product liability litigation against a customer or us. Any regulatory impediment to full commercialization of our HyperSound technology, or any of our other technologies, could adversely affect our results of operations.

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In our efforts to seek additional medical device marketing clearance we could face significant regulatory issues that could bar or delay product marketing or limit indicated uses.

The process of obtaining regulatory clearances or approvals to market a medical device, particularly from the FDA, can be costly and time consuming, and there can be no assurance that such clearances or approvals will be granted on a timely basis, if at all, or that there will not be limitations imposed on indicated uses and claims. After submitting a notification seeking medical device marketing clearance from the FDA under Section 510(k) of the Federal Food, Drug and Cosmetic Act, we recently received clearance from the FDA for the marketing of the HyperSound Audio System as a hearing improvement device. This provision of the Federal Food, Drug and Cosmetic Act allows certain medical devices to avoid human clinical trials if the product is substantially equivalent to another device already on the market. Premarket notification requires a new device to be compared for safety, effectiveness and technological characteristics to another device (or multiple devices) already on the market.

Once approved, regulatory agencies subject a product, its manufacturer and the manufacturer s facilities to continual review, regulation and periodic inspections. If a regulatory agency discovers previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product, our collaborators or us, including requiring withdrawal of the product from the market.

To market any HyperSound products internationally, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA clearance or approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA clearance or approval. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects detailed above regarding FDA clearance or approval, including the risk that our HyperSound products may not be approved for use under all of the circumstances requested, which could limit the uses of our HyperSound products and adversely impact potential HyperSound product sales, and that such clearance or approval may require costly, post-marketing follow-up studies. If we fail to comply with applicable foreign regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

We rely on outside suppliers to provide a large number of components and sub-assemblies incorporated in our HyperSound products and failure to forecast demand could cause us to lose business or be obligated for excess inventory.

Our HyperSound products have a number of components and subassemblies produced by outside suppliers. In addition, for certain of these items, we qualify only a single source with long lead times, which can magnify the risk of shortages or result in excess supply and also decreases our ability to negotiate with our suppliers on the basis of price. In particular, we depend on one piezo-film supplier to provide expertise and materials used in our proprietary emitters and one supplier for a majority of our plastic and metal parts from tooling owned by us. Our HyperSound sales have varied from quarter to quarter and are not subject to reliable forecast. If shortages occur we could lose sales or if we purchase excess inventory, we could be subject to loss from lack of sales or if models change. Also if we experience quality problems with suppliers, then our HyperSound production schedules could be significantly delayed or costs significantly increased, which could have an adverse effect on our business, liquidity, results of operation and financial position.

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Focusing on realizing the value of our HyperSound intellectual property through licensing may not result in anticipated benefits.

In addition to commercial HyperSound product sales, we are leveraging the value of our HyperSound intellectual property by seeking to license our HyperSound technology to established industry partners in target markets and growing our product business in digital signage and related markets. There can be no assurance that consumer electronic product companies we have targeted or will target will license our HyperSound technology or, if so, produce licensable products. Our plans and ability to license for particular applications may require additional product development and there can be no assurance we can demonstrate performance acceptable to prospective licensees. The markets for consumer electronic products in which our HyperSound technology is intended are intensely competitive and price sensitive. This could place pressure on licensing fees and limit our ability to exploit our HyperSound technology. We also risk that licensees will inaccurately report licensing royalties, if any, or that they or others will make unauthorized use of our HyperSound intellectual property. In addition, our HyperSound intellectual property licensing strategy may place increased demands on our personnel and divert resources from product sales and product operations adversely affecting future results. We also may not realize any or all of the anticipated benefits of this strategy.

Risks Related to the Combined Company

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

Our revenues are expected to fluctuate significantly due to a number of factors. Many of these factors are beyond our control. Any one or more of these factors, including those listed below, could cause us to fail to achieve our revenue expectations. These factors include:

- sales of new and old generation consoles and the amount of complementary sales of gaming headsets for those consoles;
- market acceptance of, and changes in demand for, our products or our customers products;
- gains or losses of significant customers, distributors or strategic relationships;
- unpredictable volume and timing of customer orders;
- the availability, pricing and timeliness of delivery of components for our products;
- fluctuations in the availability of manufacturing capacity or manufacturing yields and related manufacturing costs;

timing of new technological advances, product announcements or introductions by us, by OEMs or licensees and by our competitors;

product obsolescence and the management of product transitions and inventory;

unpredictable warranty costs associated with our products;

installation or order delays by customers, distributors, OEMs or production delays by us or our suppliers;

the timing and extent of our research and development efforts;

tooling, manufacturing and production working capital costs;

investments and costs of maintaining or protecting our intellectual property;

the extent of marketing and sales efforts to promote our products and technologies;

the timing of personnel and consultant hiring;

the resources expended on the Merger and related transactions;

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- general consumer electronics industry conditions, including changes in demand and associated effects on inventory and inventory practices;
- general economic conditions that could affect the timing of customer orders and capital spending and result in order cancellations or rescheduling;
- fluctuations in foreign currency exchange rates; and
- general political conditions in the United States and in various other parts of the world that could affect spending for the products that we offer and intend to offer.

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

We are susceptible to general economic conditions, and difficult economic circumstances in our industries or a reduction in spending by customers could adversely affect our operating results.

The electronics industry in general has historically been characterized by a high degree of volatility and is subject to substantial and unpredictable variations resulting from changing business cycles. Our operating results will be subject to fluctuations based on general economic conditions, in particular conditions that impact discretionary consumer spending. The audio products sector of the electronics industry has and may continue to experience a slowdown in sales, which adversely impacts our ability to generate revenues and impacts the results of our future operations. The current tight credit in financial markets may adversely affect the ability of our commercial customers to finance purchases and operations and could result in an absence of orders or spending for our products as well as create supplier disruptions. We are unable to predict the likely duration and severity of the adverse economic conditions and disruptions in financial markets and the effects they will have on our business and its financial condition.

We depend upon the availability of capital under our revolving credit facility to finance our operations. Any additional financing that we may need may not be available on favorable terms or at all.

In addition to cash flow generated from sales of Turtle Beach products, we finance our operations with a revolving credit facility, which we refer to as the Loan Agreement, provided by Bank of America, N.A, or BofA, as Agent, Sole Lead Arranger and Sole Bookrunner. If we are unable to comply with the restrictive and financial covenants contained in the Loan Agreement, and are unable to obtain a waiver under the Loan Agreement, BofA may declare the outstanding borrowings under the Loan Agreement immediately due and payable. Such event would have an immediate and material adverse impact on our business, results of operations and financial condition. We would be required to obtain additional financing from other sources, and we cannot predict whether or on what terms additional financing might be available. If we are required to seek additional financing and are unable to obtain it, we may have to change our business and capital expenditure plans, which would have a materially adverse effect on our business, financial condition and results of operations. In addition, the debt under the Loan Agreement could make it more difficult to obtain other debt financing in the future, which could put us at a competitive disadvantage to competitors with less debt.

The Loan Agreement contains financial and other covenants that we are obligated to maintain. If we violate any of these covenants, we will be in default under the Loan Agreement. If a default occurs and is not timely cured or waived, BofA could seek remedies against us, including termination or suspension of obligations to make loans and issue letters of credit and acceleration of amounts due under the Loan Agreement. No assurance can be given that we will be able to maintain compliance with these covenants in the future. The Loan Agreement is asset based and can only be drawn down in an amount to which eligible collateral exists and can be negatively impacted by extended collection of accounts receivable, unexpectedly high product returns and slow moving inventory, among other factors. As of the date of this prospectus supplement, we were in compliance with our covenants.

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If we need to obtain additional funds for any reason, there can be no assurance that alternative financing can be obtained on substantially similar or acceptable terms, or at all. Our failure to promptly obtain alternate financing could limit our ability to implement our business plan and have an immediate, severe and adverse impact on our business, results of operations and financial condition. In the event that no alternative financing is available, we would be forced to drastically curtail operations, dispose of assets or cease operations altogether.

The Loan Agreement provides our lenders with a first-priority lien against substantially all of our working capital assets, including trade accounts receivable, inventories, and intellectual property and contains certain restrictions on our ability to take certain actions.

The Loan Agreement contains certain financial covenants and other restrictions that limit our ability, among other things, to:

- incur certain additional indebtedness;
- pay dividends and repurchase stock;
- make certain investments and other payments;
- enter into certain mergers or consolidations;
- engage in sale and leaseback transactions and transactions with affiliates; and
- encumber and dispose of assets.

In addition, we have granted the lenders a first-priority lien against substantially all of our working capital assets, including trade accounts receivable, inventories and our intellectual property. Failure to comply with the operating restrictions or financial covenants in the Loan Agreement could result in a default which could cause the lenders to accelerate the timing of payments and exercise their lien on substantially all of our working capital assets.

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

Other companies and our competitors may currently own or obtain patents or other proprietary rights that might prevent, limit or interfere with our ability to make, use or sell our products. As a result, although we do not believe that our products infringe the proprietary rights of any third parties, there can be no assurance that infringement or other legal claims will not be asserted against us or that we may be found to infringe the intellectual property rights of others. The electronics industry is characterized by vigorous protection and pursuit of intellectual property rights or positions, resulting in significant and often protracted and expensive litigation. In the event of a successful claim of infringement against us and our failure or inability to license the infringed technology, our business and operating results could be adversely affected. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of our resources. An adverse result from intellectual property litigation could force us to do one or more of the following:

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

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

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

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If we are unable to obtain and maintain intellectual property rights and/or enforce those rights against third parties who are violating those rights, our business could suffer.

We rely on various intellectual property rights, including patents, trademarks, trade secrets and trade dress to protect our Turtle Beach brand name, reputation, product appearance and technology and our proprietary rights in our HyperSound technology. Although we have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with selected parties with whom we conduct business to limit access to and disclosure of our proprietary information, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent misappropriation of that intellectual property or deter independent third-party development of similar technologies. Monitoring the unauthorized use of proprietary technology and trademarks is costly, and any dispute or other litigation, regardless of outcome, may be costly and time consuming and may divert our management and key personnel from our business operations. The steps taken by us may not prevent unauthorized use of proprietary technology or trademarks. Many features of our products are not protected by patents; and as a consequence, we may not have the legal right to prevent others from reverse engineering or otherwise copying and using these features in competitive products. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could adversely affect our financial results.

We are susceptible to counterfeiting of our Turtle Beach products, which may harm our reputation for producing high-quality products and force us to incur expenses in enforcing our intellectual property rights. Such claims and lawsuits can be expensive to resolve, require substantial management time and resources, and may not provide a satisfactory or timely result, any of which would harm our results of operations. As some of our Turtle Beach products are sold internationally, we are also dependent on the laws of a range of countries to protect and enforce our intellectual property rights. These laws may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States.

Further, we are a party to licenses that grant us rights to intellectual property, including trademarks, that are necessary or useful to our Turtle Beach business. For example, we license the right to market certain products with the trade names and imagery of brands such as Activision, Marvel and Major League Gaming. One or more of our licensors may allege that we have breached our license agreement with them, and accordingly seek to terminate our license. If successful, this could result in our loss of the right to use the licensed intellectual property, which could adversely affect our ability to commercialize our technologies or products, as well as harm our competitive business position and our business prospects.

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

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

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

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

Our business is substantially dependent on our Chairman, Ronald Doornink, our President and Chief Executive Officer, Juergen Stark, our Chief Financial Officer, John Hanson, and other key personnel. The loss of Mr. Doornink, Mr. Stark or Mr. Hanson or any other key personnel could materially adversely affect our business, financial condition, results of operations and cash flows. In addition, competition for skilled and non-skilled employees among companies like ours is intense, and the loss of skilled or non-skilled employees or an inability to attract, retain and motivate additional skilled and non-skilled employees required for the operation and expansion of our business could hinder our ability to conduct research activities successfully, develop new products, attract customers and meet customer shipments.

Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation could result in fines, criminal penalties and an adverse effect on our business.

We operate in 44 countries, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws. We are subject, however, to the risk that our officers, directors, employees, agents and collaborators may take action determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010 and the European Union Anti-Corruption Act, as well as trade sanctions administered by the Office of Foreign Assets Control and the U.S. Department of Commerce. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties or curtailment of operations in certain jurisdictions, and might adversely affect our results of operations. In addition, actual or alleged violations could damage our reputation and ability to do business.

Our ability to utilize Parametric Sound s net operating loss and tax credit carryforwards in the future is subject to substantial limitations and may be further limited as a result of the Merger.

Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an ownership change (generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period), the corporation s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. The Merger resulted in an ownership change of Parametric Sound. Accordingly, our ability to utilize Parametric Sound s net operating loss and tax credit carryforwards may be substantially limited. Further, if the historic business of Parametric Sound is not treated as being continued by the combined entity for the two-year period beginning on the date of the Merger (referred to as the continuity of business requirement), the pre-transaction net operating loss carryforward deductions become substantially reduced or unavailable for use by the surviving corporation in the transaction. These limitations, in turn, could result in increased future tax payments for us, which could have a material adverse effect on our business, financial condition or results of operations.

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

The success of the Merger will depend, in large part, on our ability going forward to realize the anticipated benefits from combining the businesses of Parametric Sound and Turtle Beach.

The Merger involved the integration of two companies that previously have operated independently with operating offices in two distinct locations. Parametric Sound and Turtle Beach were able to conduct only limited planning regarding the integration of the two companies prior to completion of the Merger. Significant management attention and resources is now required to integrate the two companies. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the combined company s failure to achieve some or all of the anticipated benefits of the Merger.

Delays in the integration process could adversely affect our business, financial results, financial condition and stock price. Even if we are able to integrate the business operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, innovation and operational efficiencies that may be possible from this integration and that these benefits will be achieved within a reasonable period of time.

Now that the Merger has been completed, we possess not only all of the assets, but also all of the liabilities of both Parametric Sound and Turtle Beach. Although Parametric Sound conducted a due diligence investigation of Turtle Beach and its known and potential liabilities and obligations, and Turtle Beach conducted a due diligence investigation of Parametric Sound and its known and potential liabilities and obligations, it is possible that undisclosed, contingent or other liabilities or problems may arise, which could have an adverse effect on our business, operating results and financial condition.

We expect to incur significant public company and other costs associated with completion of the Merger and combining the operations of Parametric Sound and Turtle Beach. The exact magnitude of these costs is not yet known, but is estimated to be approximately $9 million. Furthermore, these costs may decrease the capital that we could use for continued development of our business in the future or may cause us to seek to raise new capital sooner than expected.

Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies.

New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, may create uncertainty for public companies, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other things, compliance costs and enforcement under the Dodd-Frank Wall Street Reform and Consumer Protection Act. For example, under Section 1502 of the Dodd-Frank Act, the SEC has adopted additional disclosure requirements related to the source of certain conflict minerals for issuers for which such conflict minerals are necessary to the functionality or production of a product manufactured, or contracted to be manufactured, by that issuer. The metals covered by the rules include tin, tantalum, tungsten and gold. Our suppliers may use some or all of these materials in their production processes. The rules require us to conduct a reasonable country of origin inquiry to determine if we know or have reason to believe any of the minerals used in the production process may have originated from the Democratic Republic of the Congo or an adjoining country. If we are not able to determine the minerals did not originate from a covered country or conclude that there is no reason to believe that the minerals used in the production process may have originated in a covered country, we would be required to perform supply chain due diligence on members of our supply chain. Global supply chains can have multiple layers, thus the costs of complying with these new requirements could be substantial. These new requirements may also reduce the number of suppliers who provide conflict free metals, and may affect our ability to obtain products in sufficient quantities or at competitive prices. Compliance costs and the unavailability of raw materials could have a material adverse effect on our results of operations.

We continually evaluate and monitor developments with respect to new and proposed laws, regulations, standards and rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These new or changed laws, regulations, standards and rules are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and we may be harmed.

Our management is required to devote substantial time to comply with public company regulations.

We incur significant legal, accounting and other expenses that Turtle Beach did not incur as a private company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as rules implemented by the SEC and The NASDAQ Stock Market, or NASDAQ, impose various requirements on public companies, including those related to corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these requirements. Certain members of our management do not have significant experience in addressing these requirements. In addition, certain of our directors have limited experience serving on the boards of public companies. Moreover, these rules and regulations will increase our legal and financial compliance costs relative to those of Turtle Beach and will make some activities more time consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with these requirements will require that we incur substantial accounting and related expenses and expend significant management efforts. We will need to hire additional accounting and financial staff to satisfy the ongoing requirements of Section 404 of the Sarbanes-Oxley Act and the reporting requirements of being a public company. The costs of hiring such staff may be material and there can be no assurance that such staff will be immediately available to us. Ensuring that we have adequate internal financial and accounting controls and procedures in place to enable us to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities.

We are subject to various environmental laws and regulations that could impose substantial costs on us and may adversely affect our business, operating results and financial condition.

Our operations and some of our products are regulated under various federal, state, local and international environmental laws. In addition, regulatory bodies in many of the jurisdictions in which we operate propose, enact and amend environmental laws and regulations on a regular basis. The laws and regulations applying to our business include those governing the discharge of pollutants into the air and water, the management, disposal and labeling of, and exposure to, hazardous substances and wastes and the cleanup of contaminated sites. We could be required to incur additional costs to comply with such regulations and may incur fines and civil or criminal sanctions, third-party property damage or personal injury claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under environmental laws. Liability under environmental laws can be joint and several and without regard to comparative fault. The ultimate costs under environmental laws and the timing of these costs are difficult to predict. Although we cannot predict the ultimate impact of any new laws and regulations, such laws will likely result in additional costs or decreased revenue, and could require that we redesign or change how we manufacture our products, any of which could have a material adverse effect on our business. Additionally, to the extent that our competitors choose not to abide by these environmental laws and regulations, we will be at a cost disadvantage, thereby hindering our ability to effectively compete in the marketplace.

We are subject to, and could become subject to in the future, stockholder litigation associated with the Merger, which could harm our business, financial condition and operating results.

Stockholders of companies involved in mergers may at times initiate litigation alleging, among other things, improprieties in the manner in which mergers or dispositions of business units were approved or executed. We have had, and may continue to have, actions brought against us by stockholders in connection with the Merger, past transactions, changes in our stock price or other matters. Any such claims, whether or not resolved in our favor, could divert our management and other resources from the operation of our business and otherwise result in unexpected and substantial expenses that would adversely and materially impact our business, financial condition and operating results. For example, and as further described in Note 8, Commitments and Contingencies Litigation, to VTB s audited consolidated financial statements, which are included elsewhere in this prospectus supplement, we are involved in legal proceedings related to the Merger involving certain of our stockholders. In addition, the holder of VTB s Series B redeemable preferred stock, or the Series B Holder, has notified us that he believes that, as a result of the Merger, he is entitled to a cash payment equal to the full redemption amount in respect of his shares of Series B redeemable preferred stock. The redemption value of VTB s Series B redeemable preferred stock was approximately $13.7 million as of December 31, 2013. It is our position that the Series B Holder is not entitled to such a payment as a result of the Merger and we intend to vigorously defend ourselves in any action that may arise from such claims. If any of these claims are ultimately successful, our liquidity and financial condition would be materially adversely affected.

Risks Related to Ownership of Our Common Stock and this Offering

Ownership of our common stock is highly concentrated, and it will prevent our stockholders from influencing many significant corporate decisions and may result in conflicts of interest that could cause our stock price to decline.

Certain former Turtle Beach stockholders acting as a group beneficially own or control approximately 80.4% of our common stock. Accordingly, these stockholders, acting as a group pursuant to a stockholder agreement, have substantial influence over the outcome of our corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. These stockholders also may exert influence in delaying or preventing a change in control of the Company, even if such change in control would benefit our other stockholders. In addition, the significant concentration of stock ownership may affect adversely the market value of our common stock due to investors perception that such conflicts of interest may exist or arise.

We are a controlled company within the meaning of the corporate governance standards of NASDAQ and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements.

We are a controlled company under NASDAQ rules. A controlled company under NASDAQ rules is a listed company more than 50% of the voting power of which is held by an individual, a group or another company (and which elects to be treated as a controlled company). Certain stockholders of Turtle Beach constitute a group controlling more than 50% of the voting power of our voting stock. As a controlled company, we are permitted to, and have, opted out of certain NASDAQ rules that would otherwise require (i) a majority of the members of our board to be independent, (ii) that our compensation committee be comprised entirely of independent directors and (iii) that we establish a nominating and governance committee comprised

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entirely of independent directors, or otherwise ensure that director nominees are determined or recommended to our board by the independent members of our board. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ.

Sales of shares of our common stock into the market in the future could cause the market price of our common stock to drop significantly, even if our business is doing well, and could result in additional dilution of the percentage ownership of investors.

Concurrently with the execution of the merger agreement, Parametric Sound and Turtle Beach entered into stockholder agreements and irrevocable proxies, referred to as the voting agreements, with certain executive officers of Parametric Sound, as well as certain entities over which those individuals exercise voting and/or investment control, collectively referred to as the management stockholders. Under the voting agreements, the management stockholders have agreed 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 (or subsequently acquired by them) until July 15, 2014, six months following the closing of the Merger, subject to certain exceptions including, without limitation, the right to sell shares in order to pay certain taxes which may arise in connection with the Merger.

Additionally, pursuant to a stockholder agreement, former Turtle Beach stockholders have agreed to a lock-up restriction whereby they will not sell or otherwise transfer the merger shares for a period of six months following the closing of the Merger, subject to certain exceptions including, without limitation, the right to sell shares in order to pay certain taxes which may arise in connection with the Merger. Additionally, the stockholder agreement provides for certain post-closing registration rights after the Merger, which rights could facilitate the sale of the shares held by former Turtle Beach stockholders into the market.

If the shares held by the aforementioned stockholders are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline and investors may be materially diluted.

In addition, we may need additional capital in the future to execute our business plan. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences and privileges senior to those of holders of our common stock, including shares of common stock sold in this offering.

Investors purchasing our common stock will suffer immediate and substantial dilution.

The offering price for our common stock in this offering will be substantially higher than the equivalent net tangible book value per share of our common stock immediately after this offering. If you purchase shares of common stock in this offering, you will incur substantial and immediate dilution in the net tangible book value of your investment. Pro forma net tangible book value per share represents the amount of total tangible assets less total liabilities, after giving effect to the Merger, divided by the number of shares of common stock then outstanding. See Dilution for a calculation of the extent to which your investment will be diluted.

Our common stock has traded sporadically and is expected to experience significant price and volume volatility in the future that substantially increases the risk of loss to persons owning our common stock.

In the future, the market price of our common stock could be subject to significant fluctuations due to factors such as the following:

- variations in our anticipated or actual operating results;
- developments concerning our products and technologies;
- technological innovations or setbacks by us or our competitors;

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- changes in our licensing, promotional, and other strategic relationships;
- developments in patent or other technology ownership rights;
- announcements of merger or acquisition transactions;
- the issuance of shares of common stock upon the exercise of outstanding options and warrants;
- changes in personnel within our company; and
- other events or factors and general economic and market conditions.

In addition, the stock market in recent years has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, and that have often been unrelated or disproportionate to the operating performance of companies. These broad market fluctuations may adversely affect the trading price of shares our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The future trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Few securities and industry analysts currently cover and publish research on our company. If no additional securities or industry analysts commence coverage of our company, the trading price for our stock would likely be negatively impacted. In the event the securities or industry analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

We do not expect to pay cash dividends.

We anticipate that we will retain our earnings, if any, for future growth and therefore not pay any cash dividends in the foreseeable future. Investors seeking cash dividends should not invest in our common stock for that purpose.

Provisions in our charter and bylaws may prevent or frustrate attempts by stockholders to change the board of directors or management and could make a third-party acquisition of our company difficult.

Our articles of incorporation and bylaws, as amended, contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and include provisions that:

authorize our board of directors to issue, without further stockholder action, up to 1,000,000 shares of preferred stock, and to determine the price and other terms of those shares, including preference and voting rights;

establish advance notice procedures for stockholder proposals and nominations for director to be considered at an annual meeting of stockholders;

specify that special meetings of our stockholders may be called only by our board of directors, our chairman of the board, or our chief executive officer;

provide that vacancies on our board of directors may, unless otherwise determined by our board of directors, be filled only by a majority of directors than in office, even if less than a quorum; and

authorize our board of directors to amend the bylaws, which may allow our board of directors to take additional actions to prevent or discourage an unsolicited takeover.

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USE OF PROCEEDS

The net proceeds from the sale of the shares of common stock in this offering are estimated to be approximately $35.6 million (approximately $41.2 million if the underwriters over-allotment option is exercised in full), after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use approximately $17.7 million of the net proceeds from this offering to repay our subordinated notes, which we refer to as the Subordinated Notes. Pursuant to the terms of the Loan Agreement, in connection with our repayment of the Subordinated Notes we will also be required to use $10.0 million of the net proceeds from this offering to contemporaneously pay down an equivalent amount under the Loan Agreement. Under the Loan Agreement, subject to our having the requisite availability under our revolving line of credit following such repayment, we may immediately reborrow the amount repaid. We intend to use the remaining net proceeds from this offering for working capital and other general corporate purposes, including the planned investment of approximately $10.0 million in HyperSound in 2014 and increased expenses associated with being a public company.

On August 30, 2013, Turtle Beach issued $10.0 million of Subordinated Notes, which we refer to as the August Notes, to certain affiliated investors, including SG VTB Holdings, LLC, or SG VTB, our largest stockholder, our Chairman of the Board and our Chief Executive Officer, the proceeds of which were applied against the outstanding balance of Turtle Beach s former term loan. The August Notes bear interest at a rate of (i) 10% per annum for the first year and (ii) 20% per annum for all periods thereafter, with interest accruing and being added to the principal amount of the Subordinated Notes quarterly. The August Notes mature on March 31, 2015. On January 15, 2014, in connection with an amendment to Turtle Beach s former loan and security agreement, Turtle Beach issued a $7.0 million Subordinated Note, which we refer to as the January Note, to SG VTB, the proceeds of which were applied against the outstanding balance of Turtle Beach s former term loan. The January Note bears interest at a rate of (i) 10% per annum until December 31, 2014 (which is the maturity date of the January Note) and (ii) 20% per annum for all periods thereafter, with interest accruing and being added to the principal amount of the January Note quarterly. The other terms of the January Note are substantially similar to the terms of the August Notes. As of March 31, 2014, the total balance due on the Subordinated Notes, inclusive of accrued interest, was approximately $17.7 million.

For a description of the Loan Agreement, see Prospectus Supplement Summary Recent Developments elsewhere in this prospectus supplement. As of March 31, 2014, the total amount outstanding under the Loan Agreement was $34.3 million, which bore interest at 5.0% per year. After giving effect to the use of proceeds described above we would have had on, a pro forma basis as of April 11, 2014, approximately $12.5 million of availability under the Loan Agreement, based on eligible accounts receivable and inventory of $24.2 million and $16.9 million, respectively, as of the same date.

Pending their use, we plan to invest the net proceeds in short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never paid dividends on our common stock and do not anticipate doing so in the foreseeable future. The Loan Agreement restricts our ability to pay cash dividends on our common stock, and we may also enter into other borrowing arrangements in the future that will further restrict our ability to declare or pay cash dividends on our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant.

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CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and capitalization and borrowings of VTB as of December 31, 2013 (i) on an actual basis, (ii) on a pro forma basis to give effect to the incurrence of $7.0 million of additional subordinated notes in January 2014 prior to the Merger (the proceeds of which were used to pay down an equivalent amount under the term loan) and the Merger and (iii) on a pro forma as adjusted basis to give effect to the incurrence of $7.0 million in subordinated notes in January 2014 prior to the Merger (the proceeds of which were used to pay down an equivalent amount under the term loan), the Merger, the sale of 4,000,000 shares of our common stock in this offering and the receipt of an estimated $35.6 million of net proceeds therefrom (after deducting the underwriting discount and estimated offering expenses payable by us), and the application of $27.7 million of such net proceeds to repay all of the outstanding subordinated notes, together with accrued interest thereon, and the $10.0 million repayment required pursuant to the terms of the Loan Agreement.

	As of December 31, 2013		
	Actual	Pro Forma	Pro Forma As Adjusted
	(dollars in thousands)		
Cash and cash equivalents	$ 6,509	$ 11,177	$ 19,077
Total long-term debt and short term borrowings:			
Revolving line of credit (1)	$ 39,736	$ 39,736	$ 29,736(3)
Term loan, current portion (2)	14,500	7,500	7,500
Subordinated notes	10,342	17,342	
Series B redeemable preferred stock	13,713	13,713	13,713
Total long-term debt and short term borrowings	78,291	78,291	50,949
Series A convertible stock, $0.01 par value 50,000,000 shares authorized, 48,689,555 shares issued and outstanding, actual and pro forma; no shares authorized, issued or outstanding, pro forma as adjusted	24,345		
Stockholders deficit			
Common stock, $0.01 par value 100,000,000 shares authorized; 35,282,286 shares issued and outstanding, actual; $0.001 par value 50,000,000 shares authorized, 37,495,722 shares issued and outstanding, pro forma; and $0.001 par value 50,000,000 shares authorized, 41,495,722 shares issued and outstanding, pro forma as adjusted (4)	353	37	41
Additional paid-in capital	(54,371)	74,316	109,912
Retained earnings	18,775	16,496	16,138
Accumulated other comprehensive income	105	105	105
Total stockholders (deficit) equity	(35,138)	90,954	126,196
Total capitalization and borrowings	$ 67,498	$ 169,245	$ 177,145

(1) Relates to the revolving line of credit under our former Loan and Security Agreement, as described in more detail under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt Obligations Revolving Line of Credit. As of March 31, 2014, this revolving line of credit was terminated, satisfied in its entirety and replaced in connection with our entering into the Loan Agreement, as described in more detail under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Subsequent Events Loan Agreement. In connection with this termination, $2.2 million of unamortized debt issuance costs related to the former revolving line of credit were written off. As of March 31, 2014, there was $34.3 million outstanding under the revolving line of credit under the Loan Agreement and $0.3 million of related debt issuance costs had been capitalized.

(2) Relates to the term loan under our former Loan and Security Agreement, as described in more detail under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt Obligations Term Loan. As of February 28, 2014, the term loan was terminated and satisfied in its entirety.

(3) Gives effect to the $10.0 million repayment required pursuant to the terms of the Loan Agreement in connection with our repayment of the Subordinated Notes. For purposes of this pro forma as adjusted column, the $10.0 million repayment is shown as deducted from the balance outstanding as of December 31, 2013 under our former revolving line of credit under our Loan and Security Agreement. Under the Loan Agreement, subject to our having the requisite availability under our revolving line of credit following such repayment, we may immediately reborrow the amount repaid. As of March 31, 2014, there was $34.3 million outstanding under the revolving line of credit under the Loan Agreement and $0.3 million of related debt issuance costs had been capitalized.

(4) Actual reflects authorized, issued and outstanding common stock of VTB as of December 31, 2013. Pro forma and pro forma as adjusted reflect authorized, issued and outstanding common stock of Parametric Sound Corporation, the legal acquirer in the Merger.

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DILUTION

If you invest in our common stock, you will experience dilution to the extent of the difference between the price per share you pay in this offering and the as adjusted pro forma net tangible book value per share of our common stock immediately after this offering. Pro forma net tangible book value per share is equal to our total tangible assets minus total liabilities as of December 31, 2013, assuming that the Merger occurred on December 31, 2013, divided by the number of shares of common stock assumed to be outstanding as of December 31, 2013. Our pro forma net tangible book value as of December 31, 2013 was $(20.1) million, or $(0.54) per share of our common stock.

After giving effect to the sale by us of 4,000,000 shares of common stock at the public offering price of $10.00 per share and after deducting the underwriting discount and estimated offering expenses payable by us, our as adjusted pro forma net tangible book value as of December 31, 2013 would have been $15.2 million, or $0.37 per share of our common stock. This represents an immediate increase in pro forma net tangible book value of $0.91 per share to our existing stockholders and an immediate dilution in the pro forma net tangible book value of $9.63 per share to the investors participating in this offering. The following table illustrates this per share dilution:

Public offering price per share		$ 10.00
Pro forma net tangible book value per share as of December 31, 2013	$ (0.54)	
Increase per share attributable to investors participating in this offering	0.91	
As adjusted pro forma net tangible book value per share after this offering		0.37
Dilution per share to investors participating in this offering		$ 9.63

If the underwriters exercise their over-allotment option in full, the as adjusted pro forma net tangible book value per share after giving effect to this offering would be $0.49 per share, which amount represents an immediate increase in pro forma net tangible book value of $1.03 per share of our common stock to existing stockholders and an immediate dilution in pro forma net tangible book value of $9.51 per share of our common stock to new investors purchasing shares of common stock in this offering.

The foregoing calculations are based on 37,495,722 shares of common stock assumed to be outstanding on December 31, 2013 assuming that the Merger occurred on that date, and exclude:

- 6,170,807 shares of our common stock issuable upon exercise of stock options outstanding as of February 26, 2014, at a weighted average exercise price of $6.59 per share;

- 1,739,976 shares of our common stock that are available as of February 26, 2014 for future grant or issuance pursuant to our 2013 Stock-Based Incentive Compensation Plan, as amended; and

- 70,874 shares of common stock issuable upon the exercise of warrants outstanding as of February 26, 2014 at a weighted-average exercise price of $5.28 per share.

To the extent options or warrants outstanding as of February 26, 2014 have been or may be exercised or other shares have been or are issued, there may be further dilution to new investors.

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The Merger is accounted for as a reverse acquisition under the acquisition method of accounting. For accounting purposes, VTB Holdings, Inc., or VTB, is considered to be the accounting acquirer. This results in VTB allocating the total purchase consideration issued in the acquisition to the fair value of Parametric Sound s assets and liabilities as of the acquisition date, with any excess purchase consideration being recorded as goodwill.

The unaudited pro forma combined consolidated balance sheet is presented to show how Parametric Sound might have looked had the acquisition occurred as of December 31, 2013. The unaudited pro forma combined consolidated statement of operations for the year ended December 31, 2013 is presented to show how Parametric Sound might have looked had the acquisition occurred as of January 1, 2013, the beginning of the presented period.

This pro forma combined consolidated information is based on, and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere or incorporated by reference in this prospectus supplement.

The unaudited pro forma combined consolidated balance sheet was derived from VTB s audited financial statements and Parametric Sound s unaudited financial statements as of December 31, 2013. The unaudited pro forma combined consolidated statement of operations for the year ended December 31, 2013 was derived from the audited financial statements of VTB for the year ended December 31, 2013 and Parametric Sound s unaudited results from operations for the three months ended December 31, 2013 and the nine months ended September 30, 2013.

The unaudited pro forma combined consolidated financial information was prepared, without audit, pursuant to the rules and regulations of the SEC. The unaudited pro forma adjustments reflecting the acquisition have been prepared in accordance with the business combination accounting guidance and reflect the preliminary allocation of the purchase price to the acquired assets and liabilities based upon the preliminary estimate of fair values, using the assumptions set forth in the notes to the unaudited pro forma combined consolidated financial information. The detailed assumptions used to prepare the unaudited pro forma combined consolidated financial information are contained in the notes hereto and such assumptions should be reviewed in their entirety.

The unaudited pro forma combined consolidated financial information is provided for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the acquisition had been completed during the periods presented above, nor is it indicative of the future results or financial position of the combined company. In connection with the unaudited pro forma combined consolidated financial information, the total purchase consideration was allocated based on the best estimates of fair value. The allocation is dependent upon certain valuation and other analyses that are not yet final. Accordingly, the pro forma acquisition price adjustments are preliminary and subject to further adjustments as additional information become available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to the preliminary estimated purchase price allocation. The unaudited pro forma combined consolidated financial information also does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the transaction or any integration costs. Furthermore, the unaudited pro forma combined consolidated statements of operations do not include certain nonrecurring charges which resulting directly from the acquisition as described in the accompanying notes.

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Parametric Sound Corporation

Unaudited Pro Forma Combined Consolidated Balance Sheet

as of December 31, 2013

(in thousands, except share and per share data)

	Historical VTB Holdings Inc.	Historical Parametric Sound Corporation	Combined Subtotal	Pro Forma Adjustments		Unaudited Pro Forma Combined
ASSETS						
Current assets:						
Cash and cash equivalents	$ 6,509	$ 4,668	$ 11,177	$		$ 11,177
Accounts receivable, net	48,542	117	48,659			48,659
Inventories, net	49,643	724	50,367			50,367
Deferred tax assets	2,214		2,214	6,686	4(a)	8,900
Prepaid expenses and other current assets	3,561	172	3,733			3,733
Prepaid income taxes	2,925		2,925			2,925
Total current assets	113,394	5,681	119,075	6,686		125,761
Property and equipment, net	7,369	211	7,580			7,580
Deferred tax assets, long term portion	827		827			827
Intangible assets, net	3,972	1,454	5,426	34,966	4(b)	40,392
Goodwill				70,631	4(c)	70,631
Other assets	1,745		1,745			1,745
TOTAL ASSETS	$ 127,307	$ 7,346	$ 134,653	$ 112,283		$ 246,936
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS (DEFICIT) EQUITY						
Current liabilities:						
Revolving line of credit	$ 39,736	$	$ 39,736	$		$ 39,736
Term loan, current	14,500		14,500			14,500
Accounts payable	44,136	1,110	45,246			45,246
Accrued liabilities	8,615	97	8,712	3,076	4(d)	11,788
Due to shareholders	3,125		3,125			3,125
Derivative liability	392		392			392
Other current liabilities	705		705			705
Capital lease obligation		38	38			38
Total current liabilities	111,209	1,245	112,454	3,076		115,530

Capital lease obligation, long-term portion		85	85			85
Series B redeemable preferred stock	13,713		13,713			13,713
Income tax payable, long-term portion	1,986		1,986			1,986
Deferred tax liabilities	850		850	13,476	4(e)	14,326
Subordinated loan	10,342		10,342			10,342
TOTAL LIABILITIES	138,100	1,330	139,430	16,552		155,982
Series A convertible preferred stock	24,345		24,345	(24,345)	4(f)	
STOCKHOLDERS (DEFICIT) EQUITY:						
Parametric Sound common stock		7	7	30	4(g)	37
VTBH common stock	353		353	(353)	4(g)	
Additional paid-in capital	(54,371)	23,066	(31,305)	105,621	4(g)	74,316
Accumulated other comprehensive income	105		105			105
(Accumulated deficit) retained earnings	18,775	(17,057)	1,718	14,778	4(h)	16,496
TOTAL STOCKHOLDERS (DEFICIT) EQUITY	(35,138)	6,016	(29,122)	120,076		90,954
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS (DEFICIT) EQUITY	$ 127,307	$ 7,346	$ 134,653	$ 112,283		$ 246,936

The accompanying notes are an integral part of these unaudited pro forma combined consolidated financial statements.

The pro forma adjustments are explained in Note 4.

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Parametric Sound Corporation

Unaudited Pro Forma Combined Consolidated Statement of Operations

Year Ended December 31, 2013

(in thousands, except per share and per share data)

	Historical					
	VTB Holdings Inc.	Parametric Sound Corporation	Combined Subtotal	Pro Forma Adjustments		Unaudited Pro Forma Combined
Net revenue	$ 178,470	$ 522	$ 178,992	$		$ 178,992
Cost of revenues	128,141	274	128,415	692	5(a)	129,107
Gross profit	50,329	248	50,577	(692)		49,885
Operating expenses:						
Selling and marketing	31,645	2,136	33,781	60	5(a)	33,841
Product development	4,873	2,204	7,077	(124)	5(a)	6,953
General and administrative	8,349	2,798	11,147			11,147
Business transaction	3,864	2,277	6,141	(6,141)	5(b)	
Total operating expenses	48,731	9,415	58,146	(6,205)		51,941
Operating income (loss)	1,598	(9,167)	(7,569)	5,513		(2,056)
Interest expense, net	(6,626)	1	(6,625)			(6,625)
Other expense	(45)	(7)	(52)			(52)
Total other (expense)	(6,671)	(6)	(6,677)			(6,677)
(Loss) income before provision for income taxes	(5,073)	(9,173)	(14,246)	5,513		(8,733)
Provision for income taxes	1,090		1,090	2,040	5(c)	3,130
Net income (loss)	$ (6,163)	$ (9,173)	$ (15,336)	$ 3,473		$ (11,863)
Net income (loss) attributable to common stockholders:						
Basic	$ (6,163)	$ (9,173)				$ (11,863)
Diluted	$ (6,163)	$ (9,173)				$ (11,863)
Net income (loss) per share attributable to common						

stockholders:						
Basic	$	(0.17)	$	(1.36)	$	(0.32)
Diluted	$	(0.17)	$	(1.36)	$	(0.32)
Weighted average shares used in computing net income (loss) per share attributable to common stockholders:						
Basic		35,282,286		6,745,622		36,972,722
Diluted		35,282,286		6,745,622		36,972,722

The accompanying notes are an integral part of these unaudited pro forma combined consolidated financial statements.

The pro forma adjustments are explained in Note 5.

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1. Description of Transaction and Basis of Presentation

Description of Transaction

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

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

The issued share capital on the assumed acquisition date of December 31, 2013 was 37,495,722 shares of common stock and consisted of 7,268,622 shares of Parametric Sound and 30,227,100 shares assumed issued to security holders of VTBH.

Basis of Presentation

The reverse acquisition of Parametric Sound by VTBH is being accounted for using the acquisition method of accounting for business combinations. The excess purchase consideration over the fair values of assets acquired and liabilities assumed is recorded as goodwill.

The historical financial information has been adjusted to give pro forma effect to events that are (i) directly attributable to the transaction, (ii) factually supportable and (iii) with respect to the unaudited pro forma combined consolidated statements of operations, expected to have a continuing impact on the combined results. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the transaction and certain other adjustments.

Under the acquisition method, acquisition-related transaction costs (e.g. advisory, legal, valuation and other professional fees) are not included as consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. These costs are not presented in the unaudited pro forma combined consolidated statements of operations because they will not have a continuing impact on the combined results.

2. Purchase Consideration Allocation

The purchase consideration in a reverse acquisition is determined with reference to the fair value of equity interests that the accounting acquirer (VTBH) has issued to the owners of the accounting acquiree (Parametric Sound). The fair value of Parametric Sound s common stock was determined based on the closing stock price of Parametric Sound s common stock as of January 15, 2014.

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The estimated total purchase consideration is calculated as follows (in thousands, except share and per share data):

Outstanding shares of common stock of Parametric Sound as of Merger date	7,274,622
Closing price per share of Parametric Sound common stock as of January 15, 2014	$ 14.30
Total purchase consideration	$ 104,027

The following table summarizes the preliminary allocation of the estimated purchase consideration to the fair values of assets acquired and liabilities assumed of Parametric Sound, with the excess recorded as goodwill (dollars in thousands):

Cash and cash equivalents	$ 4,668
Accounts receivable	117
Deferred tax asset	5,890
Other current assets	896
Property and equipment	211
Intangible assets:	
In-process research and development (IPR&D) (1)	27,100
Developed technology (2)	8,880
Customer relationships (2)	270
Trade name (2)	170
Goodwill (3)	70,631
Accounts payable and accrued liabilities	(1,207)
Capital lease obligation	(123)
Deferred tax liability	(13,476)
Total	$ 104,027

(1) The amount allocated to in-process research and development represents an estimate of the fair value of purchased in-process technology for research projects, or IPR&D. IPR&D is considered an indefinite-lived intangible asset until the completion or abandonment of the associated research and development efforts. Accordingly, during the development period, the IPR&D is not amortized but subject to impairment review. The IPR&D is reflected as an acquired asset in the unaudited pro forma combined consolidated balance sheet. No amortization of the IPR&D has been reflected in the unaudited pro forma combined consolidated financial statements as the assets are considered indefinite-lived.

(2) The acquired intangible assets relating to developed technology, customer relationships and trade name are subject to amortization. Developed technology will be amortized on a straight-line basis over an estimated useful life of approximately eight years with the amortization being included within cost of revenue. Customer relationships and trade name will be amortized on a straight-line basis over an estimated useful life of two years and five years with the amortization being included within sales and marketing expense.

(3) The excess purchase consideration over the fair values of assets acquired and liabilities assumed is recorded as goodwill. Goodwill is not amortized but tested for impairment on an annual basis or when the indicator for

impairment exists.

The preliminary valuation of the intangible assets acquired was determined using currently available information and reasonable and supportable assumptions. The fair value of IPR&D, developed technology, and trade name intangible assets was determined using the income method, which starts with a forecast of all the expected future net cash flows from such assets. Because customer relationships are not mature, the fair value customer relationship intangible assets were determined using the cost method, which starts with an analysis of the estimated costs to replace the existing asset. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include: the amount and

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timing of projected future cash flows (including revenue, cost of sales, research and development costs, sales and marketing expenses, capital expenditures and working capital requirements) as well as estimated contributory asset charges; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset s life cycle and the competitive trends impacting the asset, among other factors.

3. Conforming Adjustments

The accounting policies used in the preparation of the unaudited pro forma combined consolidated financial information are those set out in VTBH s audited financial statements as of December 31, 2013 and Parametric Sound s audited financial statements as of September 30, 2013. Certain reclassification adjustments were made to the historical consolidated statements of operations of Parametric Sound to conform the presentation to that of VTBH as the accounting acquirer and are reflected in the historical column for Parametric Sound.

4. Unaudited Pro Forma Adjustments Balance Sheet

The unaudited pro forma combined consolidated balance sheet has been prepared assuming an acquisition date of December 31, 2013 with the following pro forma adjustments:

4a) Deferred Tax Assets Represents the adjustment related to the net increase in Parametric Sound s and VTBH s accrued expenses for estimated transaction costs and the reversal of the valuation allowance against Parametric Sound s net operating loss carryforwards as the combined company expects to be able to utilize them.

4b) Intangible Assets Represents the adjustment to record the acquired intangible assets from Parametric Sound at fair value, as follows (in thousands):

Preliminary fair value of acquired intangible assets	$ 36,420
Eliminate Parametric Sound s historical intangible assets	(1,454)
Total	$ 34,966

4c) Goodwill Represents the adjustment to record the excess between the fair value of the consideration transferred and the preliminary values assigned to the assets acquired and liabilities assumed.

4d) Accrued Liabilities Represents the accrual for estimated transaction costs of $3.1 million related to the acquisition that are not reflected in the consolidated financial statements.

4e)

Deferred Tax Liabilities Represents the adjustment related to the net increase in the acquired intangible assets.

4f) Series A Convertible Preferred Stock Represents the cancellation and conversion of VTBH s outstanding Series A convertible preferred stock into shares of Parametric Sound s common stock on the close of the acquisition.

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4g) Common Stock and Additional Paid-In Capital The adjustments made to common stock and additional paid-in capital are as follows (in thousands):

Common Stock	
Record the par value of the common stock that was issued	$ 30
Eliminate VTBH s historical issued and outstanding common stock	(353)
Total common stock	$ (323)
Additional Paid-In Capital	
Eliminate Parametric Sound s historical additional paid-in capital	$ (23,066)
Record the conversion of VTBH s outstanding Series A convertible preferred stock into Parametric Sound common stock	24,345
Record the conversion of VTBH s issued and outstanding common stock into Parametric Sound common stock	315
Record purchase consideration, net of par value of Parametric Sound common stock	104,027
Total additional paid-in capital	$ 105,621
Total common stock and additional paid-in capital	$ 105,298

4h) Retained Earnings (Accumulated Deficit) The adjustments made to retained earnings (accumulated deficit) are as follows (in thousands):

Eliminate Parametric Sound s historical accumulated deficit	$ 17,057
Accrue estimated transaction costs to be incurred by Parametric Sound and VTBH through accumulated deficit, net of expected tax impact	(2,279)
Total	$ 14,778

5. Unaudited Pro Forma Adjustments Statements of Operations

The unaudited pro forma combined consolidated statements of operations were prepared assuming an acquisition date of January 1, 2013 with the following pro forma adjustments:

5a) Intangible Asset Amortization Represents the additional amortization recognized on the acquired intangible assets that are subject to amortization.

5b)

Transaction Costs Represents the elimination of acquisition-related transaction and merger related costs as they have no continuing impact on the combined consolidated results of operations.

5c) Provision for Income Taxes Represents the change in the provision for income tax consisting of the income tax effect of the respective pro forma adjustments based on the statutory rate of 37%, except for the pro forma adjustments related to the amortization of intangible assets and the non-deductibility of certain transaction costs.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The Merger has been accounted for as a reverse acquisition. As such, the financial statements of VTB Holdings, Inc., or VTB, representing the Turtle Beach headset business, are treated as our historical financial statements, with the results of Parametric Sound to be included from January 15, 2014. Our annual report on Form 10-K for the year ended September 30, 2013 and quarterly report on Form 10-Q for the quarter ended December 31, 2013 contain financial information that relates only to pre-Merger Parametric Sound. Effective as of the Merger, we changed our fiscal year from September 30 to December 31 to correspond to the fiscal year of VTB. The selected financial data set forth below is derived from the audited consolidated financial statements of VTB and its subsidiaries and may not be indicative of our future operating results. The following selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere in this prospectus supplement.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except per share data)		
Statement of Operations Data:			
Net revenue	$ 166,121	$ 207,136	$ 178,470
Cost of revenue	96,536	132,795	128,141
Gross profit	69,585	74,341	50,329
Operating expenses:			
Selling and marketing	13,009	22,837	31,645
Product development	1,839	2,099	4,873
General and administrative	7,094	6,153	8,349
Business transaction	9,375	342	3,864
Total operating expenses	31,317	31,431	48,731