

ANNOUNCEMENT OF U.S. PRICE INCREASES

Prices will increase on select Halo & New Classic models on April 1, 2014.

Prices for Z Custom and rack mount hardware for all three product lines will not change.

We have been absorbing increased business expenses since our last price increase in 2008. We opted not to make price adjustments while many of our customers were struggling during a slow economy. Since the U.S. economy is showing signs of improvement we are finally raising prices on selected products.

The necessity of a price increase stems from increased business expenses such as shipping costs, production costs, rising health care insurance for our employees and general operational costs that affect most businesses.

There is one category of cost increase which strikes at the core of our business: the high-grade component parts that we specify. Parts manufacturers prefer building in high volumes for industries that are vastly larger than high performance audio. Audiophile-grade parts that Parasound uses so widely were never a large business for these companies. Some are no longer in production and have no replacements or acceptable substitutes. These parts, when you can find them, command prices that are in some cases 25 times higher than their original prices. Japanese parts makers Alps and Nichicon have officially dropped key audiophile parts. Yet they will still make them for us by special order on the condition that we pay them then wait up to eight months before they are shipped to us. Whenever we are notified that a part will be discontinued we purchase a large quantity to stock for production runs that might not occur for three or four years. While many of our competitors have moved to lower performance, readily available parts, Parasound is dedicated to using the best parts we can obtain, regardless of the expense and effort involved in securing them.

- The prices of 12 Parasound models will not change.
- The prices of 11 Parasound models are increasing an average of 7%.

Compromising quality, warranty-support and value has never been option for Parasound. We sincerely hope that these price increases will not weigh too heavily on Parasound enthusiasts around the world.

<u>Model</u>	<u>Present Price</u>	<u>New Price</u>
Halo		
A 21	\$2,300	2,495
A 23	950	995
A 31	3,000	3,295
A 51	4,500	4,795
JC 1	4,495	<i>No Increase</i>
JC 2	4,000	4,295
JC 2 BP	4,500	4,795
JC 3+	2,850	2,995
P 5	1,095	<i>No Increase</i>
P 7	2,000	2,295
CD 1	4,495	<i>No Increase</i>
New Classic		
2100	650	695
275 v.2	550	595
2125 v.2	775	795
2250 v.2	1,350	1,395
Z Custom (All Models)		<i>No Increases</i>