
[Begin NBT ROTH - MAXD - 1]

Tobin Smith: Hey, this is Toby Smith, from Next Big Thing Investor. Now guess what back from MAXD. We started with them last December as a matter of fact. They're actually a client of NBT. And you talked about this pathway to revenues, which is our favorite words.

John Blaisure: That's right.

Tobin Smith: So tell us how far are down the path here, John?

John Blaisure: Well, actually, we're right on time. We're at the right place – not at the right that time. We at right place on time. We –

Tobin Smith: It sounded like you rehearsed that, by the way. Did you just make that up?

John Blaisure: I just kinda made that up, yeah. I just kinda –

Tobin Smith: It sounded good. All right. Give me the – I've us the good stuff.

John Blaisure: Okay, so as you know, in the letter, we talked about the acquisition of Liquid Spins, and we talked about the relationships at Liquid Spins we inherited with them and –

Tobin Smith: And we'll talk about Liquid Spins in a second in terms of the ability to a music store for everybody who's been screwed over by Apple and Amazon, but I digress. Go ahead.

John Blaisure: Right. So, anyway, that is going much better than expected. We are right on path, and we are plugging in right now to all of the retail channels and getting up and going. And we are going to be into revenue mode in Q2.

Tobin Smith: Really?

John Blaisure: Uh-huh, absolutely. Yep.

Tobin Smith: You're lips to God's ears.

John Blaisure: Yep.

Tobin Smith: Okay. All right. We heard it here first. All right. So the revenue path, we're not only on the path, we're on the revenue path. You talked about Qualcomm and being in this Snapdragon ship. How

far are we down the road in there? I'm gonna say with the metaphor.

John Blaisure: No, that's good. That's good. Our programmers have made huge progress into the Snapdragon platform. We expect to be testing in different strategies in the Snapdragon chip in front of Qualcomm in then excellent few weeks.

Tobin Smith: Okay. So just for viewers who are not familiar with MAXD, they've created a technology from one of the world's greatest sound engineers of all time to be able to take the music – remember when you and I were a little younger, we would put this thing on, it was called a album. It was made out vinyl, and you put it on and you got this full range of sound. And then as we went to digital music to do the compressions so on and so forth, they took sort of the cool stuff here and the cool stuff here, and that's what you got on a coulda.

Then you took the CD and turned into an MP3, and you got rid of more stuff.

John Blaisure: That's right.

Tobin Smith: You guys allow us to hear music the way it was recorded in high definition.

John Blaisure: That's right. We bring back and an audio experience that's beyond CD. This is something that most consumers never have heard before. Only you hear this type of audio if you're in the music or in the studio business.

Tobin Smith: Right. All right. So and we're gonna – if you come to our website at NBT Equities, we have research report of you guys. But one thing you have to do is you have to listen to this.

John Blaisure: That's right.

Tobin Smith: So you can go to your website now and actually download the app and listen to this?

John Blaisure: Well, actually, no. The app right now is only Google Play. So you can go to Google Play and we have two apps. We have a Pitbull app which is our global ambassador, and then we also have an app for our Liquid Spins music store, and we will also be coming out with an Apple app here shortly.

Tobin Smith: All right. So you download that app onto your non-Apple product.

John Blaisure: Onto your Android device.

Tobin Smith: Android. Thank you, Android. And what does it do? Why is it that when I play my MP3 over your system, it sounds – I’ll tell you a quick story. So I’m driving down in my car and I have the Bluetooth on, which I take the sound from opera, _____ “Bah, bah, bah, bah. Bah, bah, bah, bah.” And it goes through my sound system and I swear, my like the hair on the back of my – why does it do that?

John Blaisure: It’s a physical response, because what we’re doing is we’re literally restoring all of the high and low harmonic content, and we’re rebuilding that perfect wave sign that your ears love to hear. We stop the damage to your hair follicles. So your body has a physical response –

Tobin Smith: Really?

John Blaisure: – when it hears that great sound.

Tobin Smith: Well, I had the physical response. And, remember, this is not DTS. This is not Dolby, right? This is – you actually enhance stuff that’s under their system, right?

John Blaisure: We solve a fundamental problem with the audio.

Tobin Smith: And what is that?

John Blaisure: Which is we literally purify that signal and restore all that content that’s been damaged due to the compression.

John Blaisure: And that is your technology. That’s your intellectual property. You have patents filed on this, obviously.

John Blaisure: That’s right. We have right now about 38 patents pending.

Tobin Smith: Wow. All right. So when we come back we’re on the path to revenues. We’re gonna talk about this little company called **Income** that I never heard of that’s only \$20 billion company and how you guys are the savior for the people who are getting Amazoned, or they’re getting Amplified, they’re getting big-box retailers getting their customers taken away. There is no question that the next big thing in sound is high def sound, and it only comes from MMAXD.

John Blaisure: That's right.

[End NBT ROTH - MAXD - 1]

[Begin NBT ROTH - MAXD - 2]

Tobin Smith: Hey, this is Toby Smith with Next Big Thing Investor. I'm here with John Blaisure of MAXD.

All right. There's this company called InComm that I had never heard of 'til I met up with you guys. If you buy music on a music card, which is about 40 percent of how people buy music these days?

John Blaisure: That's right. About 53 percent of all music purchased is digital download.

Tobin Smith: Okay. So when you digitally download, if I go into a store and I buy an iTunes card, how does that work? How does InComm, this company behind all this, work?

John Blaisure: Well, basically, you come in and you buy your music gift card. You go to the cash register. You make your one-time purchase of that gift card, anywhere between \$15.00 and a \$50.00 denomination. The retailer gets their small percentage of the cut. Then you go home. You log onto the computer. You go to that music store for that company. You then subscribe, log in your information, and now you never come back. You buy your music there.

Tobin Smith: So what happens is so you would go to an iTunes or you'd go to Amazon, and if you go to Amazon, you buy the music. And now Amazon because you've now joined Amazon, says, "Hey, I saw, Mr. Blaisure, that you like certain music," so they come back and then send you an e-mail next week and say, "Hey, you may like this MP3."

And I may have bought that card at Best Buy, but I'm never buying music again from Best Buy.

John Blaisure: That's right. It's more easy now. All you do is push a button every time and go back up there and buy your music, so there's no reason to come back and do that, again.

Tobin Smith: All right. So the Best Buys of the world, the Sears, any big-box retailer has come to the conclusion that they would like to fight

back. They would actually like to keep their customers and not give their customers away to Amazon and Apple. And your Liquid Spins gives them the ability to do that. Describe that. How do you give them away to – quit being Amazon and Applified?

John Blaisure: What we do is we produced a model so that when they go to the store and they pick up that gift card from InComm, and they go to the cash register, when they now sing up, they'll sign up a either a white label, backed by Liquid Spins, or they'll sign up at a Liquid Spin label.

Tobin Smith: So a white label means is that it's branded Best Buy or branded by the company, but it's run by you guys.

John Blaisure: That's right. If it's a big enough retailer, and they want their own label, we'll give it to 'em.

Tobin Smith: All right.

John Blaisure: And then now, basically, they also download our HD audio, MAXD player app, and that app also can be branded back to that retailer.

Tobin Smith: So it could be – again, I'm not saying this company, but it could be Best Buy, by MAXD.

John Blaisure: That's right. Powered by MAXD. And then, basically, now when they want to buy more music or anything else that's on the dot-com, they'll just push a button on the app, and it'll go right back to that retailer.

John Blaisure: Oh, so now here's the secret sauce. When they click and buy it, the retailer is getting the benefit of the sale, not Amazon or Apple.

John Blaisure: That's right. The consumer leaves the retail store with brand in hand, and then, basically the audio experience is such that they become loyal to that audio. And now that app becomes the magic app to where that retailer can push content, communicate with the consumer, do promotions.

Tobin Smith: Well, if you really think about it, at least at the big-box retailers that we talk with, et cetera, some people are getting rid of Apple products. In other words, you have Apple stores, et cetera, some people are – who could made money selling Apple products are not doing it. And I'm not – I was one of the biggest Apple **bulls** out there. But because they're giving their customers – and they

never come back. That, in retaliating is death.

You couldn't – you talk about being – someone come in and snapping the QVC code and seeing the price of something and then going and doing it online.

John Blaisure: That's right.

Tobin Smith: All right. That's – you're doing the same thing. But people who buy music, but a lotta music. You don't just buy music once. You're a continual customer. There's new music all the time.

John Blaisure: That's right. The average music digital customer spends \$49.00 a year on music.

Tobin Smith: I know no one who does \$49.00. Everyone I know does \$500.00. All right. So you guys with your Liquid Spins product allowed the people to get, first, up the MAXD experience.

John Blaisure: That's right.

Tobin Smith: They can buy it from the card, which is a majority of music is downloaded. And the store that sold the card does not get hornswoogled – that's my fancy term – but losing their customers to Apple and Amazon. They actually get to keep the customer.

John Blaisure: That's right. And they also get to keep the recurring revenue.

Tobin Smith: Oh. No, by the way, I assume that the musician sorta likes this too. Right?

John Blaisure: The musician loves it.

Tobin Smith: Why?

John Blaisure: Basically, because now that audio perfection that they work so hard in the studio to create is not destroyed when it is impressed either AAC Apple, or MP3 or –

[Crosstalk]

Tobin Smith: Yeah, 'cause I know musicians are not picky at all about how their music sounds at all.

John Blaisure: Oh, yeah.

Tobin Smith: I'm being sarcastic. Yeah. All right. So when we come back, we're gonna talk about so they're talking to everybody, everybody's talking about to them, and we're sort of a that inflection point where high def sound is coming to the world and it's coming from MAXD.

[End NBT ROTH - MAXD - 2]

[Begin NBT ROTH - MAXD - 3]

Tobin Smith: Toby Smith here with the Next Big Thing Investor. John Blaisure from MAXD. Dude. All right. So you have sort of this take over the world approach, and if you look at the company valuations, you look at DSTI, which took over the – was it STI – or STS, right.

John Blaisure: That's right.

Tobin Smith: All right. You have Dolby which is –

John Blaisure: That's SRS.

[Crosstalk]

Tobin Smith: That's SRS labs. These are all billion-dollar aware market cap companies. Yet, they don't have a store. They have a royalty. They're paid a royalty every time you buy something with a Dolby, _____ they get paid a royalty, right?

John Blaisure: That's right.

Tobin Smith: So you guys have a royalty program. You also have a store. So in theory you have the opportunity to be a bigger revenue company to them, and your margins all the stuff are pretty similar.

John Blaisure: That's correct. We have a three-pronged approach, and that three-prong approach has always been massive consumer adoption, licensing value to, the OEMs and to the chip manufacturers.

Tobin Smith: OEM meaning Samsung or Nokia or –

John Blaisure: Samsung or Sony.

Tobin Smith: Sony, right.

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- John Blaisure:* Or – because it’s basically it can go into a type of memory.
- Tobin Smith:* Okay.
- John Blaisure:* And then also now with the acquisition of Liquid Spins, now we’re using music to get that consumer adoption and that brand loyalty. And, actually, frankly, I feel like a cat that’s been thrown out of a window and landed on all four of my feet.
- Tobin Smith:* It’s funny. You look like I cat that – I don’t know. I’m going up to there. Anything.
- John Blaisure:* I didn’t realize when we acquired Liquid Spins just what an advantage that would be for us to be in front of the consumer in such a large scale. So what’s happening right now with us is that we are now positioning ourselves for massive consumer adoption of our audio technology through apps, while we’re now designing in the memory space for OEM and for chip manufacturers.
- Tobin Smith:* So for instance, in Qualcomm, and there’s other chip manufacturers as well, but Qualcomm’s the big daddy. They’ve got the Snapdragon that’s what powers Android. By the way, we’re long _____ buy recommendations because there are the massive beneficiary to 4G sound, right?
- So in a 4G world where you have this really high speed, I’m gonna be able to download the songs like that, right?
- John Blaisure:* That’s right because we do not increase the file size. We increase the audio quality to a file size 50 to 100 times larger.
- Tobin Smith:* So that’s what blew me away. So when we first looked at this, I thought, “All right. Well, this is good. But it’s gonna make the file larger ’cause you’re adding all the harmonics to it. But yet, my friend, you do not add size. How is that possible?”
- John Blaisure:* Because in this business, size does matter.
- Tobin Smith:* [Laughs] Not going there. But the idea is, is that you do the voodoo that you do to go a little blazing saddles without increasing the file size. So I can get these harmonics that I always wanted, but couldn’t get. I don’t – the file size doesn’t get any bigger, so there’s no down side. It’s all up side.
- John Blaisure:* It’s all up side.

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- Tobin Smith:* All right. So short of it is what's the market cap today?
- John Blaisure:* Market cap's around \$70 million and –
- Tobin Smith:* Okay, which is pretty amazing for a pre-revenue company. So there's some expectations out there homeboy.
- John Blaisure:* Yeah, and the reason why is because when undertake a look at the companies that were dealing with and people are keeping track of us, if you take a look, Paul Jacobs, the chairman of Qualcomm, was on the Charlie Rose show a few months ago, and he made a very definitive comment. He said there's gonna be 5 billion new devices in the global footprint in the next –
- Tobin Smith:* No question.
- John Blaisure:* – by 2016.
- Tobin Smith:* Right. No question.
- John Blaisure:* And right now, Qualcomm controls about 50 percent of that market. So if you do the math, that means that there's gonna be an opportunity for Qualcomm to put 2.5 billion chips out there through their new platform.
- Tobin Smith:* And, by the way, if you're hardwired into that chip, the OEM, the Samsun or the Nokia or the Sony or whatever, gives it to the carrier, and the carrier said, "I wanna have this MAXD ____." So you get paid per chip, I assume. I mean the way a royalty works is you get paid.
- John Blaisure:* Per device. That's right.
- Tobin Smith:* All right. So that's almost mind-boggling. Then you have the music store where you're getting a part of that sale.
- John Blaisure:* And that's important to understand. The digital music market in the United States is about \$2.8 billion. InComm controls over \$1 billion of that revenue at the retail space. So with the InComm relationship, we're now being positioned into that \$1 billion market.
- Tobin Smith:* All right. So you're talking with everybody. Everybody's talking with you. Let's reel a few of these in.
- John Blaisure:* That's right. Gotta hit the fish.

Tobin Smith: And let's get the hook, and we're in –

John Blaisure: They're on the hook.

Tobin Smith: We're in Dana Point right now in California, so that's why I'm doing this thing.

John Blaisure: Ocean's right there.

Tobin Smith: John Blaisure, MAXD. There's no question the next big if you looked at DTSI which is the ticker symbol for SRS Labs, or Dolby, DLB, these are billion-dollar market companies. You're a \$70 million market company. We think it's logical that there's gonna be a lot of value created as you add these and every customer you add, both at the OEM level and at the consumer level, adds value. Every person who's – 'cause you're selling crack, by the way. 'Cause once you heard this, you never wanna listen to music again.

John Blaisure: Yeah. What's important to understand is this with the InComm relationship just their retail presence in the United States puts over 200 million consumers through these retail stores every weeks.

Tobin Smith: That would be potential customers.

John Blaisure: That would be potential customers.

Tobin Smith: And are you – am I gonna listen – 'cause hearing is believing.

John Blaisure: It is.

Tobin Smith: All right? So in the retail store, are you gonna have some strategies so people can hear it, obviously?

John Blaisure: We are. We're gonna use new marketing technology so that people can experience the audio.

Tobin Smith: All right, man. Next big thing is high-def sound, and these guys are high-def sound at MAXD. Thanks for watching.

[End NBT ROTH - MAXD - 3]

[End of Audio]