



January 18, 2007

CRITICAL ANNOUNCEMENT

To all our valued customers,

For over 60 years, Quantegy / Ampex Recording Media has been manufacturing magnetic tape for the professional recording markets: professional video, professional audio, and instrumentation telemetry recording. Over these years, the company has played an important role in the dramatic and exciting growth of this industry. Our involvement and contribution to the technology advancements have been both gratifying and rewarding to all the employees which have contributed to this company.

Today, the same technological forces that brought us magnetic tape have in turn brought us new technologies that have supplanted many of the markets Quantegy Recording Solutions once served. The net result of this technology shift is the decline in the demand for magnetic tape in these professional markets. Quantegy Recording Solutions' tape manufacturing facility is a large, complex operation that requires certain minimum volumes of production to cover the day-to-day operating costs. As industry-wide demand has fallen, Quantegy and its supplier base have had to adapt to provide the level of service and quality that Quantegy's customers have come to expect. These volume requirements are necessary to maintain raw material viability and pricing. As volumes decline, it becomes economically more difficult to produce products at a price and quality level that is acceptable to our customers.

Therefore, it is with great disappointment that **Quantegy Recording Solutions will have to discontinue various products from its magnetic tape product lines** (as detailed in Attachment A). It is our desire to provide Quantegy's customers with an opportunity to make final purchases of these items thereby covering both current and future demands. But to do so, Quantegy must ensure the cost of production is adequately covered during this period, thus requiring immediate modification to our pricing and freight terms as noted on the attached price list. We will accept orders for these items through **February 28th, 2007** with the intention of fulfilling those orders by the end of April 2007. All customers are encouraged to place final orders as soon as possible to secure allocation of limited production time for this make-to-order period.

Obviously, as a company, we have very mixed emotions concerning this decision. On one hand, the company has played a defining role in the development and growth of this industry which has such a loyal following, and we have made many great friends along the way. On the other hand, we have to face the current role that tape plays in the industry. We believe the best way to honor Quantegy's tradition and history is to produce the highest quality magnetic tape products today while bringing you new solutions for tomorrow. On this note, the company has begun to leverage its knowledge of the markets it serves to bring its customers new products to build a platform for the future.

If you have any questions, please contact us at 800-752-0732 or email us at csr@quantegy.com. Thank you again for your support and patronage.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Foster", written in a cursive style.

Frank Foster
Chief Operating Officer
Quantegy Recording Solutions, LLC



ATTACHMENT A

Magnetic Tape Product Lines affected by Discontinuation

<u>Professional Audio</u>	<u>Professional Video</u>	<u>Instrumentation</u>
GP9	BETA Products	795
400 Series	UMATIC	797
600 series	D1/D2	799
ADAT	196	721
R-DAT	VHS Products	722
DAU		Logging