

September 30, 2005

Dear Mr. Katz:

Ampex Corporation is a small public company with a current market capitalization of approximately \$120 million. By the SEC's current definition, it will become an accelerated filer on December 31, 2005, since its market capitalization exceeded \$75 million on June 30, 2005. On June 30, 2004 the Company's market capitalization was below \$75 million. Accordingly, we are working very hard to document, test and evaluate our systems of internal control and are gearing to have our evaluation audited by our external registered accountants as of December 31, 2005. I expect the cost of compliance in 2005 will approximate \$500,000, which is approximately twice the cost of our pre-SOX audit.

On September 29, 2005, I attended the Corporate Governance Conference sponsored by The Directorship Search Group in New York City where Commissioner Paul Atkins was the lunchtime speaker. Commissioner Atkins spoke of his earnest concern that the SEC not use regulation to stifle U.S. competitive enterprise, and, in this spirit, the need to provide relief to small companies from the substantial cost of Section 404 compliance. Interestingly, Commissioner Atkins stated that the SEC's recent release provides public companies with a market capitalization of less than \$700 million until 2007 to comply with the SOX 404 standard. I assume that Commissioner Atkins miss-spoke as the release unfortunately does not change the definition of accelerated filer.

I understand that the Commission was considering the \$700 million threshold since this would require 94% of all public companies to comply with Section 404 currently, based on research conducted by the SEC's Advisory Committee on Smaller Public Companies. I imagine the definition was ultimately not changed because this would afford a two-year audit hiatus for many companies that complied with Section 404 in 2004. While many believe that the costs of compliance will drop significantly in the second and succeeding years, my understanding is that this is not the case.

I believe that the SEC needs to revise upward the definition of accelerated filer because without such a change there will be no meaningful relief to small public companies as was originally intended. Existing internal control audit guidance is very deficient as to both the design of controls and the level of testing that is required to assess the reasonableness of control effectiveness. New guidance will not be completed until 2006. I also believe that the cost savings provided from a hiatus afforded to small companies that formerly qualified as accelerated filers will be significant and redeployed to more productive ends. In our instance, I estimate that Ampex will save \$300,000 in 2005 if the definition is changed before the internal control audit is initiated.

Sincerely,

Craig McKibben  
Chief Financial Officer  
Ampex Corporation