



September 8, 2016

Re: 550 Broadband Capacitor – Presidio Lawsuit

(Replaces August 23, 2016 letter re: lawsuit)

Dear Valued Customer:

With substantial regret, we must inform you that the court in the Presidio/American Technical Ceramics lawsuit has issued an injunction precluding ATC from selling the 550 Broadband product after November 15, 2016. ATC has exercised all avenues to settle this dispute directly with Presidio and through the courts at considerable expense. ATC's position was - and continues to be - that our product does not infringe upon Presidio patents. In the interest of continuity and assurance of supply for our customers, attempts to negotiate reasonable licensing terms with Presidio were made, but were not successful.

ATC is exploring alternatives in order to extend the November 15th deadline, but there can be no assurance that this product can be shipped by ATC after that date. Product already in the hands of customers or distributors will not be affected.

Also, as a result of this case, the Court mandated that ATC pay a \$1.58 per unit fee to Presidio on past and future shipments. Therefore, ATC must immediately raise the price of all 550 product by this amount for future shipments. We are not asking you for this amount for past shipments. ATC will absorb this loss, however, going forward we must collect this fee to make the business viable for at least the next three months.

Accordingly, ATC shipments of 550 products are immediately suspended. We ask that you submit new NCNR PO's by August 31, 2016 at a price \$1.58 above current pricing for the quantities of 550 products desired to be shipped prior to November 15, 2016. ATC will respond within one week on the number of pieces that can be shipped prior to that date.

Shipments will resume immediately upon receipt of PO's with the \$1.58 Presidio court mandated fee added to the current sales price. ATC will make every effort to ship the quantity necessary for your operations by November 15th.

Also, we will inform you of the distributors carrying stock if that is an avenue you desire to pursue. You always have the option of discussing further supply arrangements, or the level of fee that has been demanded, with Presidio.

We will continue to pursue other avenues to continue to supply product beyond the November 15th deadline, with both Presidio and the courts, as well as product substitutions.

We apologize for this inconvenience caused by Presidio's long-running campaign to utilize their intellectual property. We expended both money and internal resources to settle this dispute, and frankly were surprised by the verdict and the court rulings against us. We look forward to working with you during this difficult time and we will work very hard to ship what you need to keep your operations going.

If you have any questions, please contact me.

Regards,

A handwritten signature in black ink, appearing to read "Steve Rabe". The signature is fluid and cursive, with a large initial "S" and "R".

Steve Rabe
VP Sales and Marketing
srabe@atceramics.com