AMPEX CORP /DE/
Form 10-Q
May 15, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ____________

Commission File No. 0-20292

AMPEX CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	13-3667696
(State of Incorporation)	(I.R.S. Employer Identification Number)

500 Broadway
Redwood City, California 94063-3199
(Address of principal executive offices, including zip code)

(650) 367-2011
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.
Yes X No
--- ---

As of March 31, 2001, the aggregate number of outstanding shares of the Registrant's Class A Common Stock, $.01 par value, was 58,504,996. There were no outstanding shares of the Registrant's Class C Common Stock, $0.01 par value.

AMPEX CORPORATION
FORM 10-Q

Quarter Ended March 31, 2001

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AMPEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

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ASSETS
Current assets:
Cash and cash equivalents

Short-term investments
Accounts receivable (net of allowances of nil in 2001 and in 2000)
Other current assets

Total current assets
Property, plant and equipment, net
Intangible assets, net
Investments in affiliate
Deferred pension asset
Other assets
Net assets of business held for sale

Total assets

LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
Current liabilities:
Notes payable
Accounts payable
Accrued restructuring costs
Other accrued liabilities

Total current liabilities
Long-term debt
Other liabilities
Deferred income taxes

Total liabilities

Commitments and contingencies (Note 7)

Mandatorily redeemable nonconvertible preferred stock, $1,000 liquidation value:
Authorized: 69,970 shares in 2001 and in 2000
Issued and outstanding - none in 2001 and in 2000

Mandatorily redeemable preferred stock, $2,000 liquidation value:
Authorized: 21,859 shares in 2001 and in 2000
Issued and outstanding - 16,636 shares in 2001; 17,173 in 2000

Convertible preferred stock, $2,000 liquidation value:
Authorized: 10,000 shares in 2001 and in 2000
Issued and outstanding - 1,125 shares in 2001 and in 2000

Stockholders' deficit:
Preferred stock, $1.00 par value:
Authorized: 898,171 shares in 2001 and in 2000
Issued and outstanding - none in 2001 and in 2000
Common stock, $.01 par value:
Class A:
Authorized: 175,000,000 shares in 2001 and in 2000
Issued and outstanding - 58,504,996 shares in 2001; 58,075,396 in 2000
Class C:
Authorized: 50,000,000 shares in 2001 and in 2000
Issued and outstanding - none in 2001 and in 2000
Other additional capital
Notes receivable from stockholders
Accumulated deficit
Accumulated other comprehensive loss

Total stockholders' deficit

Total liabilities, redeemable preferred stock and stockholders' deficit

The accompanying notes are an integral part of these unaudited consolidated financial statements.

AMPEX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)

	For th
	200
Royalty income	$ 2
Internet revenue	
Total revenue	2
Intellectual property costs	
Internet video programming and site development	1
Research, development and engineering	
Selling and administrative	3
Amortization of goodwill	
Total costs and operating expenses	5
Operating loss	(2
Equity in net loss of affiliate	
Interest expense	1
Amortization of debt financing costs	
Interest income	
Other (income) expense, net	
Loss from continuing operations before income taxes	(4
Provision for income taxes	
Loss from continuing operations	(4
Loss from discontinued operations (net of taxes of none in 2000)	
Income (loss) of business held for sale (net of taxes of none in 2001 and 2000)	(1
Net loss	(6
Benefit from extinguishment of mandatorily redeemable preferred stock	
Net loss applicable to common stockholders	(5
Other comprehensive loss, net of tax:	
Unrealized gain (loss) on marketable securities	
Foreign currency translation adjustments	

Comprehensive loss	$ (5
Basic and diluted loss per share :	
Loss per share from continuing operations	$ (
Loss per share from discontinued operations	$ (
Loss per share applicable to common stockholders	$ (
Weighted average number of common shares outstanding	58,080

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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AMPEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the three m
	March 31, 2001
	(unaudi
Cash flows from perating activities:	
Net loss	$(6,656)
Loss from discontinued operations	1,910
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation, amortization and accretion	595
Equity loss of unconsolidated subsidiary	497
Net loss on disposal of assets	-
Changes in operating assets and liabilities:	
Accounts receivable	(2)
Deferred pension asset	94
Other assets	2,669
Accounts payable	(252)
Other accrued liabilities and income taxes payable	1,490
Accrued restructuring costs	(1,121)
Other liabilities	60
Net cash used in continuing operations	(716)
Net cash used in discontinued operations	(1,388)
Net cash used in operating activities	(2,104)
Cash flows from investing activities:	
Additional investment in subsidiary	(1,180)
Purchases of short-term investments	-
Proceeds received on the maturity of short-term investments	4,997
Proceeds from the sale of short-term investments	-
Additions to property, plant and equipment	175

Net cash provided by continuing operations	3,992
Net cash used in discontinued operations	(120)
Net cash provided by investing activities	3,872
Cash flows from financing activities:	
Borrowings under working capital facilities	-
Repayments under working capital facilities	(203)
Proceeds from issuance of common stock	9
Net cash provided by (used in) continuing operations	(194)
Net cash provided by (used in) financing activities	(194)
Effects of exchange rates on discontinued operations	(69)
Net increase in cash and cash equivalents	1,505
Cash and cash equivalents, beginning of period	10,384
Cash and cash equivalents, end of period	$11,889

The accompanying notes are an integral part of these unaudited consolidated financial statements.

AMPEX CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Ampex Corporation

Ampex Corporation ("Ampex" or the "Company") is a leading innovator of visual information technology. In recent years, the Company embarked to strategically reposition itself by capitalizing on its digital imaging technology to become a major provider of Internet video programming, services and technology. The Company's internal Internet video operations, acquisitions and strategic investments have been consolidated into iNEXTV Corporation ("iNEXTV" or "iNEXTV.com"), a wholly-owned subsidiary.

iNEXTV produces and aggregates video content for syndication to popular portals and destination websites. iNEXTV has entered into syndication agreements with Microsoft's WindowsMedia.com, Yahoo!, Qwest's Online Avenue, Juno, TravelNow.com, Autobytel and others. It produces short form programming covering numerous "life style" topics, current events and entertainment. Its majority owned affiliate, Alternative Entertainment Network, Inc. ("AENTV" or "AENTV.com"), acquired in a series of step acquisitions during 1999 and 2000, produces web video programming about the entertainment industry and other "infotainment" topics, including Hollywood Reporter, Billboard Minutes, Chix on Flixs and others. The Company has an equity ownership interest in TV1 Internet Television, ("TV1"or "TV1.de"), one of Europe's leading webcasters. Beginning in 1999, the Company, in a series of step acquisitions, acquired a majority interest in TV onthe WEB, Inc. ("TV onthe WEB") a webcaster and video production company. In September 2000, the Company ceased funding TV onthe WEB, wrote off its remaining investment in the subsidiary and ceased to include it in the Company's Consolidated Financial Statements. The Consolidated Statement of Operations for 2000 includes the results of operations of the Company's internal

Internet video operations, 100% of the results of operations of AENTV and 100% of the results of operations of TV onthe WEB. The Company's investment in TV1 is being accounted for under the equity method effective January 1, 2001 when the Company increased its equity interest from 17.5% to 35%, with financial results for prior periods being restated to recognize the Company's equity interest in such periods.

As of the year ended 1999, in order to focus more sharply on its Internet video businesses, the Company announced plans to sell Ampex Data Systems Corporation, ("Data Systems"), its subsidiary that makes high performance tape-based mass data storage products. For accounting reporting purposes, the results of operations of Data Systems have been classified as a "Business Held for Sale" in the Consolidated Statements of Operations for all periods presented. The book value of the net assets to be sold is reflected in "Net Assets of Business Held for Sale" in the Consolidated Balance Sheets. At the date of these financial statements, the Company is no longer conducting active discussions with potential buyers of Data Systems. While Data Systems continues to be offered for sale, present economic and market conditions indicate that consummation of a successful sale might not occur until late in 2001 or 2002, if at all. The Company had intended to use the proceeds from the sale of Data Systems to fund the activities and operating losses of iNEXTV and other Internet initiatives, as well as to retire debt. Since such source of funds is expected to be deferred indefinitely, the Company is seeking alternative financing strategies discussed below.

As of the year ended 2000, Ampex decided to discontinue the operations of MicroNet Technology, Inc. ("MicroNet"), its wholly-owned subsidiary that made high performance disk arrays and storage area network products. The operations of MicroNet have been classified as "Discontinued Operations" in the Consolidated Statements of Operations for all periods presented. At December 31, 2000, the Company established a reserve for the costs of closure and to write-off its investment in MicroNet. which is included in "Loss on Disposal of Discontinued Operations." As a result, there are no assets or liabilities of MicroNet included in the Consolidated Balance Sheet for all periods presented.

The Company's continuing operations consist of Ampex's intellectual property licensing department, its Internet Technology Group ("ITG") and its subsidiary, iNEXTV.

Liquidity and Going Concern Considerations

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred operating losses for the past nine quarters and requires additional capital to meet its obligations and accomplish the Company's business plan, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's working capital has declined substantially from December 31, 1999 to December 31, 2000 and further declined in the first quarter of 2001. The Company has experienced a substantial reduction in its cash and marketable securities which declined to $11.9 million at March 31, 2001. In November 2000, Data Systems issued Senior Secured Notes providing net proceeds of approximately $8 million, which are included in the above

Note 1 - Ampex Corporation (cont'd.)

amount. The Notes are secured by certain assets of the Company and Data Systems. Ampex is negotiating a sale and leaseback of certain real estate and would use the proceeds from the transaction to repay the Notes. The Notes were originally scheduled to mature on the earlier of May 31, 2001 or the sale of Data Systems. The Company and the Noteholder have an agreement in principle to extend the Note maturity date to August 31, 2001 to facilitate the completion of the sale and leaseback discussed above. The Company is also negotiating an expansion of its working capital facility to provide additional borrowing capacity at Data Systems and has taken steps to reduce headcount and overhead expenses of Data Systems in order to be able to operate at a cash breakeven level at reduced sales levels. The Company is seeking to raise equity capital for iNEXTV with certain strategic partners in order to fund anticipated operating losses of its Internet businesses until projected profitability. Lastly, the Company has entered into negotiations with certain consumer electronics manufacturers to license the Company's intellectual property for use in the manufacture of digital camcorders, DVDs and computer games. These capital raising strategies are in preliminary stages, and there can be no assurance that they will be successful or raise sufficient resources in time for the Company to remain a going concern. Furthermore, the Company's debt indentures include provisions that may adversely impact the ability to complete a sale of all or substantially all of its assets, such that Common stockholders might not realize any recovery of their investment in the Company.

Note 2 - Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In addition, certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation. The statements should be read in conjunction with the Company's report on Form 10-K for the year ended December 31, 2000 and the Audited Consolidated Financial Statements included therein.

In the opinion of management, the financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented. The results of operations for the three-month period ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

Note 3 - Business Held for Disposition

In February 2000, the Board of Directors of the Company authorized management to pursue a sale of Data Systems, its wholly-owned subsidiary that manufacturers and sells high performance, tape-based mass data storage products. Ampex continues to seek a buyer for the Data Systems business, but due to economic and market conditions believes that it will be difficult to consummate a successful sale until late 2001 or 2002, if at all.

A summary of the operating results of Data Systems is as follows:

	March 31, 2001	March 31, 2000

	(in thousands)	
Revenues..	$ 9,825	$11,739
Costs and operating expenses...................	11,338	11,290
Operating income (loss)........................	(1,513)	449
Interest expense...............................	406	13
Other (income) expense.........................	10	(68)
Income (loss) of business held for disposition..	(1,910)	548

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AMPEX CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Business Held for Disposition (cont'd.)

A summary of the assets and liabilities of Data Systems is as follows:

	March 31, 2001	December 31, 2000
	(in thousands)	
Current assets.....................	$ 26,100	$ 26,040
Property, plant and equipment, net..	5,803	6,010
Other assets.......................	142	159
Current liabilities................	(19,624)	(19,302)
Other liabilities..................	(530)	(552)
Other..............................	(560)	(695)
Net assets of segment to be sold....	$ 11,331	$ 11,660

Note 4 - Discontinued Operation

As of the year-end 2000, the Board of Directors of the Company authorized management to close MicroNet and to establish a reserve for the costs of closure and to write-off its investment. Management is attempting to liquidate MicroNet's assets and plans to distribute the proceeds in satisfaction of its liabilities. The Consolidated Balance Sheet as of March 31, 2001 and December 31, 2000 did not include any assets or liabilities of MicroNet.

Note 5 - Computation of Basic and Diluted Loss per Share

In accordance with the disclosure requirements of SFAS 128, a reconciliation of the numerator and denominator of basic and diluted loss per common share is provided as follows (in thousands, except per share amounts):

Three months ended March 31,

	2001	2000
Numerator		
Loss from continuing operations	$(4,746)	$(6,713)
Net loss applicable to common stockholders	$(5,824)	$(6,939)
Denominator		
Weighted average common stock outstanding	58,080	55,518
Basic and diluted loss per share from continuing operations	$ (0.08)	$ (0.12)
Basic and diluted loss per share applicable to common stockholders	$ (0.10)	$ (0.12)

In the three months ended March 31, 2001, 537 shares of Redeemable Preferred Stock were redeemed into 429,600 shares of Common Stock which are included in the weighted average common stock outstanding from the date of exchange. In the three months ended March 31, 2000, holders of 760 shares of Convertible Preferred Stock converted their holdings into 380,000 shares of Common Stock and 537 shares of Redeemable Preferred Stock were redeemed into 260,679 shares of Common Stock which are included in the weighted average common stock outstanding from the date of exchange. The remaining shares of Common Stock potentially issuable on conversion of Convertible Preferred Stock and redemption of the Redeemable Preferred Stock have not been included in the computation of diluted weighted average common stock outstanding for the three months ended March 31, 2001 and 2000, respectively, since they are anti-dilutive. If the Company was to make all remaining redemption payments in Common Stock based on the floor conversion price, an additional 13,871,300 shares of Common Stock would be issued over the number of common shares included in the diluted income per share computation. At March 31, 2001 such additional shares of Common Stock would be anti-dilutive to the diluted loss per share reported.

Note 5 - Computation of Basic and Diluted Loss per Share (cont'd.)

Stock options to purchase 4,088,929 shares of Common Stock at prices ranging from $0.26 to $6.00 per share were outstanding at March 31, 2001, but were not included in the computation of diluted loss per share as they are anti-dilutive.

Stock options to purchase 3,340,118 shares of Common Stock at prices ranging from $1.06 to $6.00 per share were outstanding at March 31, 2000, but were not included in the computation of diluted loss per share as they are anti-dilutive.

In January 1998, Warrants to purchase 1,020,000 shares of Common Stock at $2.25 per share were issued in connection with the issuance of the Senior Notes. See Note 11. On May 10, 1999, Warrants were exercised for 204,000 shares of

Common Stock, which are included in the weighted average common stock outstanding since the date of the exchange. The remaining outstanding warrants are excluded from the computation of weighted average common stock outstanding at March 31, 2001 and 2000, respectively, since they are anti-dilutive.

Note 6 - Supplemental Schedule of Cash Flow Information

	Three months ended March 31,	
	2001	2000
	(in thousands)	
Interest paid	$ 2,640	$ 2,641
Income taxes paid	247	330
Redeemable preferred stock	(1,074)	(1,520)
Convertible preferred stock	-	(1,074)
Issuance of common stock	1,074	2,594

Note 7 - Commitments and Contingencies

Legal Proceedings

The Company is currently a defendant in lawsuits that have arisen in the ordinary course of its business. Certain subsidiaries have been assessed income and value-added taxes together with penalties and interest. Management does not believe that any such lawsuits or unasserted claims will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Environmental Matters

Ampex's facilities are subject to numerous federal, state and local laws and regulations designed to protect the environment from waste emissions and hazardous substances. Owners and occupiers of sites containing hazardous substances, as well as generators and transporters of hazardous substances, are subject to broad liability under various federal and state environmental laws and regulations, including liability for investigative and cleanup costs and damages arising out of past disposal activities. Ampex has been named from time to time as a potentially responsible party by the United States Environmental Protection Agency with respect to contaminated sites that have been designated as "Superfund" sites, and are currently engaged in various environmental investigation, remediation and/or monitoring activities at several sites located off Company facilities. Management has provided reserves, which have not been discounted, related to investigation and cleanup costs and believes that the final disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company has not accrued any liability for costs that might be assessed against it by federal or state environmental agencies involving sites owned by the Company's former subsidiary Media. Media is primarily responsible for the cleanup at its facilities and at off site locations. The Company believes that it has no material contingent liability in connection with the Media properties.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Preferred Stock

Each share of Convertible Preferred Stock and Redeemable Preferred Stock entitles the holder thereof to receive noncumulative dividends at the rate of 8% per annum, if declared by the Company's Board of Directors. Each share of Convertible Preferred Stock may be converted, at the option of the holder thereof, at a conversion price of $4.00 per share, into 500 shares of Common Stock, subject to adjustment under certain circumstances. In the three months ended March 31, 2000, the holders of 760 shares of Convertible Preferred Stock converted their holdings into 380,000 shares of Common Stock, leaving 1,125 shares of Convertible Preferred Stock outstanding. Beginning in June 2001, the Company will become obligated to redeem any remaining Convertible Preferred Stock in quarterly installments through December 2008. Beginning in June 1999, the Company became obligated to redeem the Redeemable Preferred Stock in quarterly installments through March 2008. In the three months ended March 31, 2001, the Company issued 429,600 shares of its Common Stock to satisfy the quarterly redemption requirements. In the three months ended March 31, 2000, the Company issued 260,679 shares of its Common Stock to satisfy the quarterly redemption requirements. The Company is obligated to redeem approximately $6.5 million face amount of Convertible and Redeemable Preferred Stock over the next twelve months. The Company has the option to redeem the Redeemable Preferred Stock at any time and the Convertible Preferred Stock beginning in June 2001, and has the option to make mandatory redemption payments either in cash or in shares of Common Stock. In the event that the Company does not have sufficient funds legally available to make any mandatory redemption payment in cash, the Company will be required to make such redemption payment by issuing shares of Common Stock. Shares of Common Stock issued to make any optional or mandatory redemption payments will be valued at the higher of $2.50 or fair market value per share of Common Stock. The Company intends to issue shares of Common Stock to satisfy its redemption obligation on the Redeemable Preferred Stock through December 31, 2001. To the extent that the floor redemption price exceeds the fair value of shares issued to redeem the Convertible Preferred Stock and the Redeemable Preferred Stock the Company recognizes a benefit from extinguishment of preferred stock.

Note 9 - Income Taxes

As of December 31, 2000, the Company had net operating loss carryforwards for income tax purposes of $125 million expiring in the years 2005 through 2014. As a result of the financing transactions that were completed in April 1994 and February 1995, the Company's ability to utilize its net operating losses and credit carryforwards as an offset against future consolidated federal income tax liabilities will be restricted in its application, which will result in a material amount of the net operating loss never being utilized by the Company.

Note 10 - Accumulated Other Comprehensive Income

The balances of each classification within accumulated other comprehensive income are as follows:

	Minimum Pension Liability (in thousands)
December 31, 2000...............	$ 17,553
Current period change...........	-

March 31, 2001.................	$ 17,553

Note 11 -- Senior Notes

In January 1998, the Company issued $30.0 million of its 12% Senior Notes ("Notes"), together with Warrants to purchase 1.02 million shares of Common Stock. The Warrants are exercisable at $2.25 per share at any time on or prior to March 15, 2003. At the time of issuance, the Warrants were valued using the Black-Scholes model. The value assigned to the Warrants was $765,000, which is being amortized against interest expense over the term of the Notes. At the end of June 1998, the Company issued an additional $14.0 million Senior Notes. Interest on the Notes is payable semi-annually on March 15 and September 15 of each year. The Notes will mature on March 15, 2003. The Company may redeem the Notes, in whole or in part, at any time after March 15, 2000, at redemption prices expressed as percentages of the principal amount of the Notes ranging from 100% to 106% depending on the redemption date, together with accrued and unpaid interest, if any, to the date of redemption. The Notes are senior unsecured obligations of the Company and rank pari passu in right of payment with all existing and future subordinated indebtedness of the Company.

Note 12 - Segment Reporting

The Company has the following operating segments: licensing of intellectual property and Internet video production and distribution. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company evaluates segment performance based on return on operating assets employed. Profitability is measured as income or loss from continuing operations before income taxes excluding goodwill amortization and asset writedown.

Intersegment sales and transfers are accounted for at current market prices but they were not significant to revenues.

	Three Months Ended March 31, 2001			
	Internet Video	Licensing of Intellectual Property	Eliminations and Corporate	Totals
Revenues from external customers..........	$ 130	$2,336	$ -	$ 2,446
Interest income...........................	3	-	127	130
Interest expense..........................	-	-	1,331	1,331
Depreciation, amortization and accretion..	272	-	197	469
Segment income (loss).....................	(3,431)	2,163	(3,104)	(4,372)
Segment assets............................	6,156	-	26,982	33,138
Expenditures for segment assets...........	(175)	-	-	(175)

Three Months Ended March 31, 2000

	Internet Video	Licensing of Intellectual Property	Eliminations and Corporate	Totals
Revenues from external customers..........	$ 575	$ 3,119	$ -	$ 3,694
Interest income..........................	22	-	525	547
Interest expense.........................	9	-	1,355	1,364
Depreciation, amortization and accretion..	241	1	201	443
Segment income (loss)....................	(6,422)	2,749	(2,466)	(6,139)
Segment assets...........................	12,305	1	67,459	79,765
Expenditures for segment assets...........	1,435	-	-	1,435

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Forward-Looking Statements

This Form 10-Q contains predictions, projections and other statements about the future that are intended to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others, those described under "Risk Factors," below. These forward-looking statements speak only as of the date of this Report. The Company disclaims any obligation or undertaking to disseminate updates or revisions of any forward-looking statements contained or incorporated herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. IN ASSESSING FORWARD-LOOKING STATEMENTS CONTAINED IN THIS FORM 10-Q, READERS ARE URGED TO READ CAREFULLY ALL SUCH CAUTIONARY STATEMENTS.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Company and its subsidiaries should be read in conjunction with the unaudited Consolidated Financial Statements and the Notes thereto, included elsewhere in this Report, and the Consolidated Financial Statements and the Notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission (file no. 0-20292) (the "2000 Form 10-K").

Strategic Repositioning of the Company

In recent years, the Company began a strategic repositioning by capitalizing on its digital imaging technology to become a major provider of Internet video programming, services and technology. In 1999, the Company consolidated its internal Internet video operations, acquisitions and strategic investments into iNEXTV Corporation, a wholly-owned subsidiary. In August 2000, the Company announced that it would cease funding and write-off its remaining investment in TV onthe WEB, allowing it to re-deploy its financial resources to its core Internet video businesses which produce video content and technology for distribution on the web. In early 2001, the Company increased its equity ownership in its German affiliate, TV1 Internet Television, from 17.5% to 35%. Effective January 1, 2001, the Company began to account for TV1 using the equity method of accounting, with the financial results of prior periods being restated to recognize the Company's equity interest in such periods.

In February 2000, in order to focus more sharply on its Internet video businesses, the Company announced plans to sell Data Systems, its subsidiary which makes high performance tape-based mass data storage products. For accounting purposes, the results of operations of Data Systems have been classified as a "Business Held for Sale" in the Consolidated Statements of Operations for all periods presented. The book value of the net assets to be sold of this segment is reflected in "Net Assets of Business Held for Sale" in the Consolidated Balance Sheets as of March 31, 2001 and December 31, 2000. At the date of these financial statements, the Company is no longer conducting active discussions with potential buyers of Data Systems. While Data Systems continues to be offered for sale, present economic and market conditions indicate that consummation of a successful sale might not occur until late in 2001 or in 2002, if at all. The Company had intended to use the proceeds from the sale of Data Systems to fund the activities and operating losses of iNEXTV and other Internet initiatives, as well as to retire debt. Since this source of funds is expected to be deferred indefinitely, the Company is pursuing alternative financing strategies discussed below.

As of year-end 2000, Ampex determined to discontinue the operations of MicroNet, its subsidiary which manufactured disk arrays and storage area network products. At December 31, 2000, the Company established a reserve for the costs of closure and to write-off its investment in MicroNet. Accordingly, the operations of MicroNet have been classified as "Discontinued Operations" for all periods presented.

The Company's continuing operations consist of Ampex's intellectual property licensing department, its Internet Technology Group and its subsidiary, iNEXTV.

Results of Operations for the Three Months Ended March 31, 2001 and 2000

Total Revenue. Total revenue decreased by 33.2% to $2.5 million for the three months ended March 31, 2001 compared to $3.7 million for the three months ended March 31,2000. In the three months ended March 31, 2001, the revenue decrease over the three months ended March 31, 2000 was due to the decreased royalty income and the decrease in the Company's Internet video businesses.

Royalty Income. Royalty income was $2.3 million in the three months ended March 31, 2001 compared to $3.1 million in the three months ended March 31, 2000. The Company's royalty income derives from patent licenses, and the Company receives most of its royalty income from licenses with companies that manufacture consumer video products (such as VCRs and camcorders) and, in certain cases, professional video tape recorders. The Company is assessing whether manufacturers of digital camcorders, computer video games and DVD recorders are using its patented technology and has entered into preliminary discussions with certain manufacturers to license the Company's patents for such use. There can be no assurance that the manufacturers of these products are utilizing the Company's technology or, if used, whether the Company will be able to negotiate license agreements with the manufacturers. Royalty income has historically fluctuated widely due to a number of factors that the Company cannot predict or control such as the extent of use of the Company's patented technology by third parties, the materiality of any nonrecurring royalties received as the result of negotiated settlements for products sold by manufacturers prior to entering into licensing agreements with the Company, the extent which the Company must pursue litigation in order to enforce its patents, and the ultimate success of its licensing and litigation activities. The costs of patent litigation can be material, and the institution of patent enforcement litigation may also increase the risk of counterclaims alleging infringement by the Company of patents held by third parties or seeking to invalidate patents held by the Company. See "Legal Proceedings," below.

Internet Revenue. The Company's Internet video programming and services business began in early 1999, and in June 1999 were consolidated under its subsidiary, iNEXTV. iNEXTV recorded revenue of $0.1 million in the three months ended March 31, 2001 compared to $0.6 million in the three months ended March 31, 2000. Internet revenues in 2000 were principally from webcasting, video production and event marketing services, substantially all of which were provided by the Company's subsidiary, TV onthe WEB, which the Company ceased funding in October, 2000. For the three months ended March 31, 2000, TV onthe WEB reported a net loss of $2.0 million. Since October 1, 2000, the Company has not recognized any revenues or expenses of TV onthe WEB in its consolidated financial statements. iNEXTV expects to continue to offer certain web video services through its other Internet subsidiaries. Internet revenues do not include revenues of TV1, which provides Internet video services to European businesses, totaling $0.3 million and $0.2 million in the three month periods ended March 31, 2001 and 2000, respectively, because TV1 is accounted for under the equity method of accounting. In future periods, iNEXTV will rely significantly on advertising and e-commerce revenues. The Company is seeking to increase revenues by syndicating its content and that of others for distribution to third party websites under advertising revenue sharing arrangements and by offering various services to customers who wish to add video content to their own websites. iNEXTV and its subsidiary AENTV have announced agreements with destination websites and Internet portals and broadband service providers that are being implemented. By increasing the size of its audiences through syndication, management believes that it will enhance the attractiveness of its programming to potential

buyers of web based video advertising. However, revenues from syndicated advertising activities are not expected to become significant before the second half of 2001.

Intellectual Property Costs. Intellectual property costs relate to those expenditures incurred by the Company's in-house patent department in procuring royalty income and expenditures associated with patent enforcement litigation.

Internet Video Programming and Site Development. Internet video programming and site development costs of $1.6 million in the three months ended March 31, 2001 and $3.2 million in the three months ended March 31, 2000 represent costs incurred for services rendered to customers, as well as costs incurred for the development of made-for-the-Internet video programming and non-capitalized website hardware and software purchases in support of iNEXTV's websites and infrastructure. The operations of TV onthe WEB were responsible for $1.2 million of Internet Video Programming and Site Development expenses in the three months ended March 31, 2000. Since October 1, 2000, the Company has not recognized any revenues or expenses of TV onthe WEB in its consolidated financial statements, as a result of its decision to cease funding its operations as of that date. The Company anticipates that site development startup costs will continue to decline in 2001, as the requisite web site infrastructure is substantially in place. The Company is also seeking to add content from others to expand the scope of its programming without a commensurate increase in expenses.

Research, Development and Engineering Expenses. Research, development and engineering expenses associated with support of iNEXTV's Internet video strategy were relatively unchanged in the periods. The Company anticipates increased spending in connection with research, development and engineering programs that support iNEXTV's Internet video strategy.

Selling and Administrative. Selling and administrative expenses decreased to $3.3 million in the three months ended March 31, 2001 from $4.6 million in the three months ended March 31, 2000. In addition to costs incurred for the Internet video programming and site development discussed above, the Company's Internet video businesses incurred direct sales, marketing and administrative expenses totaling $1.5 million in the three months ended March 31, 2001 and $3.6 million in the three months ended March 31, 2000. The operations of TV onthe WEB accounted for $0.8 million of selling and administrative expenses in the three months ended March 31, 2000. The content syndication business model reduces the Company's expenses for marketing and advertising in return for sharing advertising revenue with syndication partners. Accordingly, the Company believes its Internet marketing and advertising expenditures will decline in the future from levels incurred in recent periods. Other nonallocated administrative costs totaled $1.8 million in the three months ended March 31, 2001 compared to $1.0 million in the three months ended March 31, 2000.

Amortization of Goodwill. In connection with the investments in each of TV onthe WEB, AENTV and TV1, the purchase price exceeded the fair value of assets acquired and liabilities assumed, resulting in the recording of goodwill. In the second quarter of 2000, the Company changed the expected life of goodwill of the acquired Internet businesses from three years to two years, given the rapid changes affecting the Internet and to conform to other Internet content companies. In the third quarter of 2000, the Company wrote off its remaining investment in TV onthe WEB, resulting in fully amortizing all remaining goodwill and providing a reserve for asset impairment to write down the assets of TV onthe WEB to their estimated realizable value. The Company's Equity in Net Loss of Affiliate includes amortization of goodwill arising from the investment in TV1 of $0.4 million and $0.2 million in the three months ended March 31, 2001 and 2000, respectively.

Operating Loss. The Company incurred an operating loss of $2.8 million in the three months ended March 31, 2001 compared to $5.3 million in the three months ended March 31, 2000. The decrease in the operating loss in the three months ended March 31, 2001 from 2000 was primarily due to the exclusion of TV onthe WEB in 2001 which contributed $2.0 million of operating losses in the three months ended March 31, 2000.

Equity in Net Loss of Affiliate. In early 2001, the Company increased its equity interest in TV1 Internet Television from 17.5% to 35%. Effective January 1, 2001, the Company began to account for TV1 under the equity method of accounting. The financial results of prior periods have been restated to recognize the Company's equity interest in such periods. The Equity in Net Loss of Affiliate in the three months ended March 31, 2001 and March 31, 2000, includes amortization of goodwill totaling $0.4 million and $0.2 million, respectively.

Interest Expense. Interest expense is associated primarily with $44.0 million of 12% Senior Notes, due 2003 and Warrants to purchase approximately 1.02 million shares of Common Stock in January and July 1998. Interest expense associated with the Senior Discount Notes issued in November 2000 is included in Loss of Business Held for Sale.

Amortization of Debt Financing Costs. These amounts reflect periodic amortization of financing costs over the remaining terms of the debt. Financing costs associated with the January and July 1998 issuance of the 12% Senior Notes are being charged to expense over five years.

Interest Income. Interest income is earned on cash balances and short and long-term investments. In the three months ended March 31,2001 the Company had significantly lower investment balances compared to the three months ended March 31, 2000, which resulted in lower interest income.

Other (Income) Expense, Net. For the three months ended March 31, 2001, other (income) expense, net consists primarily of foreign currency transaction gains and losses. In the three months ended March 31, 2000, other (income) expense, net, was minor.

Provision for Income Taxes. The provisions for income taxes in the three months ended March 31, 2001 and 2000 consist primarily of foreign income taxes and withholding taxes on royalty income. The Company was not required to include any material provision for U.S. Federal income tax in any of these periods due to the utilization of net operating loss carry forwards and timing differences. At March 31, 2001, the Company had net operating loss carry forwards for income tax purposes of $125 million, expiring in the years 2007 through 2015. As a result of financing transactions that were completed in 1994 and 1995, the Company is limited in the amount of net operating loss carry forwards that can offset consolidated Federal taxable income in a given year. The Company derives pretax foreign income from its international operations, which are conducted principally by its foreign subsidiaries. In addition, the Company's royalty income is subject, in certain cases, to foreign tax withholding. Such income is taxed by foreign taxing authorities and the Company's domestic interest and amortization expenses and operating loss carry forwards are not deductible in computing such foreign taxes.

Income (Loss) of Business Held for Sale. In February 2000, the Board of Directors of the Company authorized management to pursue a sale of Data Systems, its wholly-owned subsidiary that manufacturers and sells high performance, tape-based mass data storage products. To date, no acceptable offers to purchase Data Systems have been received, although the Company continues to offer Data Systems for sale. As a result, for all periods presented, the Company reported as a single line item in the Consolidated Statements of Operations, an income (loss) of business held for sale, net of taxes, of ($1.9) million and $0.5 million in the three months ended March 31, 2001 and 2000, respectively.

A summary of the operating results of Data Systems is as follows:

	Three months ended	
	Mar. 31, 2001	Mar. 31, 2000
	(in thousands)	
Revenues....................................	$ 9,825	$11,739
Costs and operating expenses.................	11,339	11,290
Operating income (loss)......................	(1,514)	449
Interest expense.............................	406	13
Other (income) expenses......................	(10)	(68)
Income (loss) of business held for sale.......	(1,910)	548

Loss from Discontinued Operations. In February 2001, the Board of Directors of the Company authorized management to close MicroNet, its wholly-owned subsidiary that makes high performance disk arrays and Storage Area Network, and to establish a reserve for the costs of closure at the year ended December 31, 2000. As a result, for the three months ended March 31, 2000, the Company reported as a single line item in the Consolidated Statements of Operations, a loss from discontinued operations, net of taxes, of $0.8 million. Revenues and total costs and operating expenses of this segment totaled $3.3 million and $4.0 million, respectively, in the three months ended March 31, 2000.

Net Loss. The Company reported a net loss of $6.7 million in the three months ended March 31, 2001 compared to a net loss of $6.9 million in the three months ended March 31, 2000, primarily as a result of the factors discussed above under "Royalty Income," "Internet Video Programming and Site Development," "Selling and Administrative," "Amortization of Goodwill," "Equity in Net Loss of Affiliate," "Income (Loss) of Business Held for Sale," and "Loss from Discontinued Operations."

Benefit from Extinguishment of Mandatorily Redeemable Preferred Stock. In the three months ended March 31, 2001, the Company issued shares of Common Stock valued at $2.50 per share to satisfy its redemption obligation on the Redeemable Preferred Stock, which was higher than fair value per share of Common Stock. As a result the Company recorded a benefit available to common stockholders of $0.8 million, representing the difference between the fair value and $2.50 per share for the number of shares issued, on the Consolidated Statements of Operations.

Liquidity and Capital Resources

Cash Flow. At March 31, 2001, the Company had cash and short-term investments of $11.9 million and working capital of $2.3 million. At December 31, 2000, the Company had cash and short-term investments of $15.4 million and working capital of $8.3 million. Data Systems, which is accounted for as a "Business Held for Sale," had working capital of $6.5 million and $6.7 million at March 31, 2001 and December 31, 2000, respectively. Working capital of Data Systems has been classified in "Net Assets of Business Held for Sale" at March 31, 2001 and December 31, 2000. The decline in cash and short-term investments in the three months ended March 31, 2001 results primarily from operating losses of the Company's Internet video businesses and operations of the Internet Technology Group. These losses more than offset operating income from the Company's non-Internet technology licensing activities. Cash used in continuing operations totaled $0.7 million in the three months ended March 31, 2001 and $5.7 million in the three months ended March 31, 2000. Cash used in discontinued operations totaled $1.4 million in each of the three months ended March 31, 2001 and 2000, respectively.

Major items impacting income from continuing operations in the three months ended March 31, 2001, which did not affect cash, were equity in net loss of affiliate and goodwill amortization associated with acquired

Internet businesses, totaling $0.6 million. Other non-cash charges affecting the first quarter of 2001 operations included other depreciation and amortization of $0.5 million.

The Company intends to seek strategic partnerships with other companies in order to obtain additional content, brand recognition, user awareness, technology and infrastructure cost savings. The Company may be required to commit significant resources to these partnerships, which could increase the

Company's liquidity needs and require it to issue debt or equity securities which would dilute current stockholders' interest in the Company.

The Company has announced its intention to sell Data Systems, which manufactures the Company's high performance mass data storage and instrumentation products for entertainment and government applications. At the date of these financial statements, the Company is no longer conducting active discussions with potential buyers of Data Systems. While Data Systems continues to be offered for sale, present economic and market conditions indicate that consummation of a successful sale might not occur until late in 2001 or 2002, if at all. The Company had intended to use the proceeds from the sale of Data Systems to fund the activities and operating losses of iNEXTV and other Internet initiatives, as well as to retired debt. Since such source of funds is expected to be deferred indefinitely, the Company is seeking alternative financing strategies discussed below. There can be no assurance that these capital raising strategies will be successful or raise sufficient resources in time for the Company to remain a going concern.

In November 2000, Data Systems issued Senior Discount Notes providing net proceeds of $8 million to fund the Company's short-term working capital requirements. The Notes are secured by certain assets of the Company and Data Systems. Ampex is currently negotiating a sale and leaseback of certain real estate and would apply the net proceeds from the transaction to repay the Senior Discount Notes. The Notes were originally scheduled to mature on the earlier of May 31, 2001 or the sale of Data Systems. The Company and representatives of the Noteholders have agreed in principle to extend the Note maturity date to August 31, 2001 to facilitate the completion of the sale and leaseback of certain real estate discussed above. There can be no assurance that the transactions will be consummated. In addition, the Company has recently taken steps to reduce headcount and overhead expenses of Data Systems in order to operate at a cash breakeven level at reduced sales levels. There can be no assurance that the cost savings to be realized will be adequate for Data Systems to return to profitability.

The Company has available, through a subsidiary, a working capital facility that allows it to borrow or obtain letters of credit totaling $7.0 million, based on eligible accounts receivable, through May 2002. At March 31, 2001, the Company had borrowings outstanding of $2.2 million and had letters of credit issued against the facility totaling $1.1 million. At December 31, 2000, the Company had borrowings outstanding of $2.4 million and had letters of credit issued against the facility totaling $1.1 million. The Company is seeking to expand the working capital facility to provide additional borrowing capacity at Data Systems as it implements operational cost savings.

In addition, the Company is seeking to raise equity capital for iNEXTV with certain strategic partners to be able to fund anticipated operating losses of its Internet businesses until projected profitability. These capital raising activities are in preliminary stages of discussion and no commitments have been received for additional capital. There can be no assurance that a market will exist for the Company's or its affiliates' equity securities. In addition, the Company has been notified by the staff of the American Stock Exchange ("Amex") that it is conducting a review of the Company's eligibility for continued listing on the Amex. The Amex has requested the Company to provide certain additional information and financial data concerning the Company's business and financial condition. The Company plans to provide the requested information and to meet with members of the Amex staff to discuss this matter.

Financing Transactions. In 1998, the Company issued $44.0 million of its 12% Senior Notes due March 15, 2003, together with Warrants to purchase 1.02 million shares of its Class A Common Stock (the "Class A Stock"). As a result of the issuance of the 12% Senior Notes, the Company's total indebtedness and future debt service obligations increased significantly from prior levels. The

Company has applied a substantial portion of the

debt proceeds in acquisitions of the Company's Internet video businesses. Such investments or acquisitions are not expected to pay a current return, which could require the Company to fund debt service obligations on the 12% Senior Notes out of its liquidity and cash flow from existing operations. There can be no assurance that the Company's available resources will be sufficient to enable it to meet its debt service obligations. The indenture under which the 12% Senior Notes were issued contains customary affirmative and negative restrictive covenants that limit, among other things, the incurrence of additional senior debt, the payment of dividends, the sale of assets and other actions by the Company and certain restricted subsidiaries.

In November 2000, Data Systems issued Senior Discount Notes providing net proceeds of approximately $8.0 million, which used to fund the Company's short term working capital requirements. The Notes are secured by certain assets of Data Systems and the Company and are due on the earlier of May 31, 2001 or the divestiture of Data Systems. Ampex plans to repay the Senior Discount Notes out of the proceeds of the anticipated sale and leaseback transaction described above. In the event this transaction is not consummated, the Company believes it will be required to raise additional capital from the sale of other assets or from the issuance of debt or equity securities in order to continue to repay the Notes and to carry out its current business strategy. No assurance can be given that the Company would be successful in raising any additional funds, or as to the terms of any securities that might be issued or arrangements that might be entered into.

Recent Pronouncements

Effective January 1, 2001, the Company adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133 ("SFAS 133"), Accounting for Derivative Instruments and Hedging Activities which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The adoption of SFAS 133 on January 1, 2001 had no effect on the Company as the Company currently has no derivative instruments.

Risk Factors

Ability to Continue as a Going Concern

As discussed in the Notes to the Unaudited Financial Statements for the three months ended March 31, 2001, there exists substantial uncertainty as to the Company's ability to continue as a going concern. The Company has incurred operating losses in each of the past nine quarters and requires additional capital to meet its obligations and to accomplish its business plan which projects continuing losses throughout 2001. The Company's working capital has declined substantially in recent periods and its cash and marketable securities have declined to $11.9 million at March 31, 2001. The Company is negotiating a sale and leaseback of certain real estate and would use the proceeds to repay Senior Discount Notes which mature shortly as discussed below. In addition, the Company is seeking to expand its working capital debt facilities, reduce operating costs of its Data Systems subsidiary, raise equity capital for iNEXTV and enter into negotiations with prospective licensees of its intellectual property for use in consumer electronics and video games. In addition, the Company is continuing to offer its Data Systems subsidiary for sale, but does not anticipate such a transaction in the current fiscal period. These capital raising strategies are in preliminary stages and there can be no assurance that they will be successful or raise sufficient resources for the Company to remain a going concern.

Risk of Continuing Losses

Ampex has incurred significant operating and net losses in the three months ended March 31, 2001 and its fiscal years ended December 31, 2000 and 1999. Such losses were primarily due to its Internet video programming activities, operating losses of MicroNet and, in 2000, its decision to discontinue certain operations and to provide reserves to close down MicroNet, amortization of goodwill of acquired businesses and interest expense. Revenues

were not sufficient to offset these items. Although the Company expects that its Internet video revenues will grow in future periods and that many of its operational costs will decline since its infrastructure is largely complete, there can be no assurance that such revenues will be sufficient to offset similar expenses and/or losses that may be incurred in such periods, or that such items will not increase. The Company may incur additional indebtedness in connection with future acquisitions or its Internet expansion plans, which could increase future interest expenses. In addition, the Company cannot predict the amount of licensing royalties that it may recognize in future periods. The Company has taken steps to reduce costs and believes that operating losses from its Internet operations will decline in 2001 compared with losses incurred in 2000. However, the Company expects operating and net losses to continue at least for the balance of 2001. Also, the Company has recently taken steps to reduce headcount and overhead expenses of Data Systems in order to seek to operate at a cash breakeven level at reduced sales levels, pending a sale of Data Systems. Such actions are expected to give rise to restructuring charges in the second quarter of 2001. See "Management's Discussion and Analysis of Financial Condition and Results of Operations, " below, and the other Risk Factors included in this section.

Risks of Declining Liquidity

The Company has experienced a substantial reduction in its cash and marketable securities which declined to $11.9 million at March 31, 2001. In November 2000, Data Systems issued Senior Discount Notes providing net proceeds of approximately $8 million, which are included in the above amount and are being used to fund the Company's short-term working capital requirements. The Notes are secured by certain assets of the Company and Data Systems. Ampex is negotiating a sale and leaseback of certain real estate and would apply the net proceeds from the transaction to repay the Notes. The Notes were originally scheduled to mature on the earlier of May 31, 2001 or the sale of Data Systems. At the date of this Report, the Company is no longer conducting active discussions with potential buyers of Data Systems. While Data Systems continues to be offered for sale, present economic and market conditions indicate that consummation of a successful sale might not occur late in 2001 or 2002, if at all. The Company and the representatives of the holders of the Senior Discount Notes have reached an agreement in principle to extend the Note maturity date to August 31, 2001 to facilitate the completion of the sale and leaseback discussed above. The Company is also negotiating an expansion of its working capital facility to provide additional borrowing capacity at Data Systems. The Company is seeking to raise equity capital for iNEXTV with certain strategic partners and has entered into negotiations with certain consumer electronics manufacturers to license the Company's intellectual property for use in the manufacture of digital camcorders, DVDs and computer games. No assurance can be given that the Company will be successful in raising any additional funds, or as to the terms of any securities that might be issued or arrangements that might be entered into.

Risks Associated with iNEXTV and Internet Video Strategy

The Company's Internet subsidiary, iNEXTV, was formed in mid-1999, and has not yet generated any material advertising revenues. The business and prospects of iNEXTV, and the Company's Internet video strategy in general, are subject to the risks and uncertainties typical of companies in the early stages of development. These risks are particularly high in new and rapidly evolving markets such as those for Internet content, advertising and electronic commerce (e-commerce). If the Company is not successful in its Internet strategy, investors in Ampex Common Stock could suffer the loss of a significant portion or all of their investment.

The development of iNEXTV and the implementation of the Company's strategy to expand its Internet video businesses involve special risks and uncertainties, including but not limited to the following:

- the ability of iNEXTV and its affiliates to identify, produce or acquire and deliver compelling, quality video programming over the Internet that appeals to its target audiences;

- the ability of iNEXTV and its affiliates to obtain and manage key employees and other resources for growth and profitability;

- market acceptance of Internet broadband access connections, which improve the quality of streaming video but are more costly than methods currently used my most consumers;

- market acceptance of streaming media technology, which is currently of lower quality than television or radio broadcasts, is subject to congestion and interruptions on the Internet, and requires specialized software, technical expertise and increased bandwidth;

- dependence upon growth of the Internet as a significant medium for advertising, especially branding advertising formats, recognizing recent declines in banner advertising on the Internet;

- iNEXTV's ability to generate advertising revenues from its recent "syndication strategy" whereby it seeks to sell advertising tied to content that it has produced and aggregated from third parties for distribution on popular portals and destination websites;

- the ability of iNEXTV and its affiliates to attract content developers and other key partners in addition to content distribution partners necessary to make its web operations viable;

- dependence upon timely delivery and integration of website software and hardware purchased from third parties used in its Internet operations and that of companies upon which the Company depends to host and serve content to users;

- vulnerability of Internet content delivery to system failures and interruptions for a variety of reasons (including telecommunications problems and natural disasters), computer viruses and other breaches of security;

- dependence upon Internet service providers, web browsers, providers of streaming media products and others to provide Internet access to iNEXTV's websites and programming;

- the ability of the Company to generate sufficient revenues to offset the increased cost of bandwidth that would result from increased viewership of its streaming media video sites and the risk that the Company may compete with sites which have access to lower cost of bandwidth;

- the ability of Ampex to innovate, upgrade and transfer to iNEXTV and its affiliates audio or video technology for Internet-based applications;

- competition among Internet broadcasters and providers of products and services for users, advertisers, content and new products and services;

- uncertainty about the adoption and application of new laws, proposed taxation and government regulations relating to Internet businesses, which could have a negative effect on Internet business. Some of these negative effects could include slowing down Internet growth, adversely affecting the viability of e-commerce, exposing iNEXTV to potential liabilities or negative publicity for mishandling customer security or user privacy concerns or otherwise adversely affecting its Internet businesses;

- the ability, if needed, to obtain licenses of intellectual property developed by others that affect Internet usage. Intellectual property claims, if asserted, against the Company could be costly and could have a material adverse effect on its Internet business;

- the ability to expand successfully in the European or other foreign markets, which is likely to be subject to cultural and language barriers, different regulatory environments, currency exchange rate fluctuations and other difficulties relating to managing foreign operations; and

- likelihood of continued and significant expenses resulting in material losses in future periods. Such losses could negatively affect the price of the Company's securities. In addition, continued losses could require the Company to seek additional capital which may not be available on satisfactory terms, or at all.

Risks Associated with Acquisition Strategy

In order to expand Ampex's products and services, Ampex has made, and may continue to make under the right circumstances, acquisitions of, and/or investments in, other business entities. These entities may be involved in producing and distributing Internet video programming or providing related services or technology. Ampex may not be able to identify or acquire additional acquisition candidates in the future, or complete any further acquisitions or investments on satisfactory terms. In order to pay for future acquisitions or investments, Ampex may have to:

- issue additional equity securities of the Company or a subsidiary, which would dilute the ownership interest of existing Ampex stockholders;

- incur additional debt; and/or

- amortize goodwill and other intangibles or incur other acquisition-related charges, which could materially impact earnings.

Acquisitions and investments involve numerous additional risks, including difficulties in the management of operations, services and personnel of the acquired companies, and of integrating acquired companies with Ampex and/or each other's operations. Ampex may also encounter problems in entering markets and businesses in which it has limited or no experience. Acquisitions can also divert management's attention from other business concerns. Ampex has made and may make additional investments in companies in which it has less than a 100% interest. Such investments involve additional risks, including the risk that Ampex may not be in a position to control the management or policies of such entities, and risks of potential conflicts with other investors. Ampex has invested in companies that are in the early stage of development and may be expected to incur substantial losses. Ampex's financial resources may not be sufficient to fund the operations of such companies. Accordingly, there can be no assurance that any acquisitions or investments that Ampex has made, or may make in the future, will result in any return, or as to the timing of any return. During 2000, the Company elected to cease funding the operations of TV onthe WEB, Inc. ("TV onthe WEB") and to consolidate the production activities and website of EXBTV.com ("EXBTV") into its New York City operations and into inextv.com, requiring certain asset writedowns, including goodwill. In addition, Ampex elected to discontinue the operations of MicroNet, which it acquired in 1998. In the future, it is possible that Ampex could lose all or a substantial portion of its other investments.

Risk that the Company will be Unable to Sell Data Systems

The Company has announced its intention to sell Data Systems, which manufactures high performance mass data storage and instrumentation products for entertainment and government applications. For accounting purposes, the results of operations of Data Systems have been classified as a "Business Held for Sale" for all periods presented. At the date of these financial statements, the Company is no longer conducting active discussions with potential buyers of Data Systems. While Data Systems continues to be offered for sale, present economic and market conditions indicate that consummation of a successful sale might not occur until late in 2001 or 2002, if at all. There can be no assurance that the Company will be able to consummate a sale, or as to the terms, conditions or timing of any sale, if consummated. Failure to sell Data Systems would have a significant negative impact on the

Company's liquidity and capital resources. See "Risks Associated with iNEXTV and Internet Video Strategy, " above.

Risk of Leverage

As of March 31, 2001, Ampex had outstanding total borrowings of approximately $54.6 million, which included $8.6 million of Senior Discount Notes with an original maturity on May 31, 2001 that are being extended to August 31, 2001, $44.0 million principal amount of 12% Senior Notes due 2003 and $2.2 million of subsidiary indebtedness. The Senior Discount Notes are secured by liens on the Data Systems manufacturing facilities in Colorado Springs, Colorado and on the Company's future patent licensing income stream. As discussed above, the Company is seeking to negotiate a sale and leaseback of certain real estate and would apply the net proceeds to repay the Senior Discount Notes and accrued interest.

The Company is seeking to increase its working capital facility and in the future may incur additional indebtedness from time to time to finance acquisitions or capital expenditures or for other purposes, subject to the restrictions in the indenture governing the Senior Notes. The degree to which the Company is leveraged, and the types of investments it selects, could have important consequences to investors, including the following:

- a substantial portion of the Company's consolidated cash flow from operations must be dedicated to the payment of principal and interest on outstanding indebtedness, and is therefore unavailable for other purposes;

- Ampex's ability to obtain additional financing in the future for working capital needs, capital expenditures, acquisitions and general corporate purposes may be materially limited or impaired, or such financing may not be available on terms favorable to Ampex;

- the Company may be more highly leveraged than its competitors, which may place it at a competitive disadvantage;

- Ampex's leverage may make it more vulnerable to a downturn in its business or the economy in general;

- investments in securities with lower credit quality or longer maturities could subject the Company to potential losses due to nonpayment or changes in market value of those securities. Transactions in derivative securities could expose Ampex to losses caused by stock market fluctuations; and

- the financial covenants and other restrictions contained in the Senior Discount Notes and Senior Note indentures and other agreements relating to Ampex's indebtedness may restrict Ampex's ability to borrow additional funds, to dispose of assets or to pay dividends on or to repurchase preferred or common stock.

Ampex has not received acceptable offers to purchase Data Systems. Accordingly, it is seeking alternative capital raising strategies as discussed above. There can be no assurance that any of these strategies will be successful or that they will be permitted under the Senior Discount Notes or Senior Note Indentures, if applicable.

Fluctuations in Royalty Income

Ampex's results of operations in certain prior periods reflect the receipt of significant royalty income, including material nonrecurring payments resulting from negotiated settlements primarily related to sales of products by manufacturers before negotiating licenses from Ampex. Although Ampex has a substantial number of outstanding and pending patents, and its patents have generated substantial royalties in the past, it is not possible to

predict the amount of royalty income Ampex will receive in the future. Royalty income has historically fluctuated significantly from quarter-to-quarter and year-to-year due to a number of factors that Ampex cannot predict. These factors include the extent to which third parties use its patented technology, the extent to which the Company must pursue litigation in order to enforce its patents, and the ultimate success of its licensing and litigation activities. As the Company expands its Internet video businesses, the significance of its royalty income, relative to operating income, is expected to increase until those businesses become profitable. Upon an event of default, the Holders of the Senior Discount Notes will receive additional collateral consisting of the right to receive the proceeds of all future royalties sufficient to repay principal and accrued interest.

The costs of patent litigation can be material. The institution of patent enforcement litigation may also increase the risk of counterclaims alleging infringement by Ampex of patents held by third parties or seeking to invalidate patents held by Ampex. Moreover, there is no assurance that Ampex will continue to develop patentable technology that will be able to generate significant patent royalties in future years to replace patents as they expire.

Dependence on Licensed Patent Applications and Proprietary Technology

Ampex's success depends, in part, upon its ability to establish and maintain the proprietary nature of its technology through the patent process. There can be no assurance that one or more of Ampex's patents will not be successfully challenged, invalidated or circumvented or that it will otherwise be able to rely on such patents for any reason. In addition, there can be no assurance that competitors, many of whom have substantial resources and have made substantial investments in competing technologies, will not seek to apply for and obtain patents that prevent, limit or interfere with Ampex's ability to make, use and sell its products either in the United States or in foreign markets. If any of Ampex's patents are successfully challenged, invalidated or circumvented or its right or ability to manufacture products were to be proscribed or limited, Ampex's ability to continue to manufacture and market its products could be adversely affected, which would likely have a material adverse effect upon Ampex's business, financial condition and results of operations.

Litigation may be necessary to enforce Ampex's patents, to protect trade secrets or know-how owned by the Company or to determine the enforceability, scope and validity of the proprietary rights of others. Any litigation or interference proceedings brought against, initiated by or otherwise involving Ampex may require Ampex to incur substantial legal and other fees and expenses and may require some of its employees to devote all or a substantial portion of their time to the prosecution or defense of such litigation or proceedings.

Rapid Technological Change and Risks of New Product and Services Development

All the industries and markets from which Ampex derives revenues, directly or through its licensing program, are characterized by continual technological change and the need to introduce new products, product upgrades, services and patentable technology. This has required, and will continue to require, that Ampex spend substantial amounts for the research, development and engineering of new products and advances to existing products and, with respect to the Company's Internet operations, new content and services. No assurance can be given that Ampex's existing products, services and technologies will not become obsolete or that any new products, services or technologies will win commercial acceptance. Obsolescence of existing product lines, or inability to develop and introduce new products and services, could have a material and adverse effect on the Company's sales and results of operations in the future. The development and introduction of new technologies, services and products are subject to inherent technical and market risks, and there can be no assurance that Ampex will be successful in this regard.

Competition

The market for Internet products and services is highly competitive and characterized by multiple competitors and low barriers to entry. Ampex is attempting to develop improvements in video quality in order to

differentiate itself from its competitors. However, other companies may develop competing technologies and Ampex may be unable to obtain patent or other protection for its Internet video technology. In addition, the market for Internet advertising and electronic commerce, upon which iNEXTV's Internet operations will be primarily dependent to achieve ultimate profitability, is intensely competitive and the Company believes that competition in this field will intensify.

Dependence on Certain Suppliers

The Company's manufacturing subsidiaries purchase certain components from a single domestic or foreign manufacturer for use in its products. Significant delays in deliveries or defects in such components have adversely affected Ampex's manufacturing operations in the past, pending qualification of an alternative supplier. In addition, Ampex produces highly engineered products in relatively small quantities. As a result, Ampex's ability to cause suppliers to continue production of certain products on which it may depend may be limited. Ampex does not generally enter into long-term raw materials or components supply contracts.

iNEXTV has contracted with a third party to provide content hosting and to serve content to geographically dispersed users. The Company believes that this company has built a secure and dependable network by providing sufficient hardware and software redundancy and by physically locating its servers at numerous different ISPs around the world. However, in the event of a major disaster to the Internet, iNEXTV would incur significant down time in its operations and lost revenue.

Risks Related to International Operations

International operations are subject to a number of special risks, including limitations on repatriation of earnings, restrictive actions by local governments, and fluctuations in foreign currency exchange rates and nationalization. Additionally, export sales are subject to export regulation and restrictions imposed by U.S. government agencies. Fluctuations in the value of foreign currencies can affect Ampex's results of operations. Ampex does not normally seek to mitigate its exposure to exchange rate fluctuations by hedging its foreign currency positions.

The expansion of iNEXTV's European operations, which are conducted primarily through TV1, may generate advertising and service revenues in future periods, although the Company has not recognized any revenue to date, since it does not presently consolidate the operations of TV1. The European operations of iNEXTV are expected to be subject to certain risks and uncertainties, including risks and uncertainties similar to those facing domestic development stage Internet companies.

In January 1999, the new "Euro" currency was introduced in certain European countries that are part of the European Monetary Union. Beginning in 2003, all EMU countries are expected to be operating with the Euro as their single currency. A significant amount of uncertainty exists as to the effect the Euro will have on the marketplace generally. Some of the rules and regulations relating to the governance of the currency have not yet been defined and finalized. As a result, companies operating or conducting business in Europe will need to ensure that their financial and other software systems are capable of processing transactions and properly handling the Euro. Ampex is currently assessing the effect the introduction of the Euro will have on its internal accounting systems and the potential sales of its products. Ampex will take appropriate corrective actions based on the results of such assessment. Ampex has not yet determined the costs related to addressing this issue. This issue is not expected to have a material adverse affect on Ampex's business.

Volatility of Stock Price

The trading price of Ampex's Common Stock has been and can be expected to be subject to significant volatility, reflecting a variety of factors, including:

- quarterly fluctuations in operating results;
- announcements of acquisitions, Internet developments or new product introductions by Ampex or its competitors;
- announcements regarding the Company's planned sale of Data Systems;
- reports and predictions concerning the Company by analysts and other members of the media;
- issuances of substantial amounts of Common Stock in order to redeem outstanding shares of its Preferred Stock, or otherwise; and
- fluctuations in trading volume of the Company's Common Stock, and general economic or market conditions.

The stock market in general, and Internet and technology companies in particular, have experienced a high degree of price volatility, which has had a substantial effect on the market prices of many such companies for reasons that often are unrelated or disproportionate to operating performance. These broad market and industry fluctuations may adversely affect the price of Ampex's Common Stock, regardless of its operating performance. Recently, the Company has been notified by the American Stock Exchange ("Amex") that it is initiating a review of the Company's eligibility for continued listing. If the Company's Common Shares become delisted from Amex, the share price might become more volatile and an active market may no longer be maintained.

Dependence on Key Personnel

Ampex is highly dependent on its management. Ampex's success depends upon the availability and performance of key executive officers and directors. Except for certain employees of its Internet affiliates, the Company has not entered into employment agreements with its key employees, and the loss of the services of key persons could have a material adverse effect upon Ampex. The Company does not maintain key man life insurance on any of these individuals.

Anti-Takeover Consequences of Certain Governing Instruments

Ampex's Certificate of Incorporation provides for a classified Board of Directors, with members of each class elected for a three-year term. The Certificate of Incorporation provides for nullification of voting rights of certain foreign stockholders in certain circumstances involving possible violations of security regulations of the United States Department of Defense. The instrument governing Ampex's outstanding Preferred Stock, which has an aggregate liquidation value of approximately $35.5 million at March 31, 2001, requires that Ampex make mandatory offers to redeem those securities out of legally available funds in the event of a change of control. For this purpose, a change of control includes the following events: a person or group of people acting together acquires 30% or more of Ampex's voting securities; Ampex merges, consolidates or transfers all or substantially all of its assets; or the dissolution of Ampex. The Certificate of Incorporation authorizes the Board of Directors to issue additional shares of Preferred Stock without the vote of stockholders. The indenture governing Ampex's outstanding Senior Notes, in the total principal amount of $44 million, requires Ampex to offer to repurchase the Senior Notes at a purchase price equal to 101% of the outstanding principal amount thereof together with accrued and unpaid interest in the event of a change of control. Under the indenture, a change of control includes the following events: a person or group of people acting together acquires 50% or more of the Company's voting stock; or the transfer of substantially all of the Company's assets to any such person or group, other than to certain subsidiaries and affiliates of Ampex. In addition, the Senior Discount Notes issued in November 2000 are mandatorily redeemable in the event of the sale of Data Systems or a change of control (as defined) of Ampex or Data Systems.

These provisions could have anti-takeover effects by making an acquisition of Ampex by a third party more difficult or expensive in certain circumstances.

Nonpayment of Dividends

Ampex has not declared dividends on its Common Stock since its incorporation in 1992 and Ampex has no present intention of paying dividends on its Common Stock. Ampex is also restricted by the terms of certain agreements and of the outstanding Preferred Stock as to the declaration of dividends.

Environmental Issues

Ampex's facilities are subject to numerous federal, state and local laws and regulations designed to protect the environment from waste emissions and hazardous substances. Owners and occupiers of sites containing hazardous substances, as well as generators and transporters of hazardous substances, are subject to broad liability under various federal and state environmental laws and regulations, including liability for investigative and cleanup costs and damages arising out of past disposal activities. Ampex has been named from time to time as a potentially responsible party by the United States Environmental Protection Agency with respect to contaminated sites that have been designated as "Superfund" sites, and are currently engaged in various environmental investigation, remediation and/or monitoring activities at several sites located off Company facilities. There can be no assurance Ampex will not ultimately incur liability in excess of amounts currently reserved for pending environmental matters, or that additional liabilities with respect to environmental matters will not be asserted. In addition, changes in environmental regulations could impose the need for additional capital equipment or other requirements. Such liabilities or regulations could have a material adverse effect on Ampex in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change to the disclosure made in the 2000 Form 10-K.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to routine litigation incidental to its business. In the opinion of management, no such current or pending lawsuits, either individually or in the aggregate, are likely to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company's facilities are subject to numerous federal, state and local laws and regulations designed to protect the environment from waste emissions and hazardous substances. Ampex is also subject to the federal Occupational Safety and Health Act and other laws and regulations affecting the safety and health of employees in its facilities. Management believes that Ampex is generally in compliance in all material respects with all applicable environmental and occupational safety laws and regulations or has plans to bring operations into compliance. Management does not anticipate that capital expenditures for pollution control equipment for fiscal 2001 or 2002 will be material.

Owners and occupiers of sites containing hazardous substances, as well as generators and transporters of hazardous substances, are subject to broad liability under various federal and state environmental laws and regulations, including liability for investigative and cleanup costs and damages arising out of past disposal activities. The Company has been named as a potentially responsible party by the United States Environmental Protection

Agency with respect to four contaminated sites that have been designated as "Superfund" sites on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. The Company is engaged in six environmental investigation, remediation and/or monitoring activities at sites located off Company facilities, including the removal of solvent contamination from subsurface aquifers at a site in Sunnyvale, California. Some of these activities involve the participation of state and local government agencies. The other five sites (including the four Superfund sites) are associated with the operations of the Media subsidiaries formerly owned by the Company. Although the Company sold Media in November 1995, the Company may have continuing liability with respect to environmental contamination at these sites if Media fails to discharge its responsibilities with respect to such sites. During 2000, the Company spent a total of approximately $0.1 million in connection with environmental investigation, remediation and monitoring activities and expects to spend a similar amount in fiscal 2001 for such activities.

Because of the inherent uncertainty as to various aspects of environmental matters, including the extent of environmental damage, the most desirable remediation techniques and the time period during which cleanup costs may be incurred, it is not possible for the Company to estimate with any degree of certainty the ultimate costs that it may incur with respect to the currently pending environmental matters referred to above. Nevertheless, at March 31, 2000, the Company had an accrued liability of $1.2 million for pending environmental liabilities associated with the Sunnyvale site and certain other sites currently owned or leased by the Company. The Company has not accrued any liability for contingent liabilities it may incur with respect to former Media sites discussed above. Based on facts currently known to management, management believes it has no contingent liability in connection with such pending matters, either individually or in the aggregate, will be material to the Company's financial condition or results of operations or material to investors.

While the Company believes that it is generally in compliance with all applicable environmental laws and regulations or has plans to bring operations into compliance, it is possible that the Company will be named as a potentially responsible party in the future with respect to additional Superfund or other sites. Furthermore, because the Company conducts its business in foreign countries as well as in the U.S., it is not possible to predict the effect that future domestic or foreign regulation could have on Ampex's business, operating results or cash flow. There can be no assurance that the Company will not ultimately incur liability in excess of amounts currently reserved for pending environmental matters, or that additional liabilities with respect to environmental matters will not be asserted. In addition, changes in environmental regulations could impose the need for additional capital equipment or other requirements. Such liabilities or regulations could have a material adverse effect on the Company in the future.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

For the three months ended March 31, 2001, holders of 537 shares of Redeemable Preferred Stock exchanged their holdings into 429,600 shares of Common Stock. No cash or other consideration was paid by the Company, directly or indirectly, in connection with such conversion or exchange. The shares of Class A Common Stock were issued in reliance upon the exemption from registration contained in Section 3(a)(9) of the Securities Act of 1933, as amended, for the issuance of securities exchanged by the issuer with the existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6(a). EXHIBITS

Not applicable.

ITEM 6(b). REPORTS ON FORM 8-K

The Company filed a Current Report on Form 8-K on May 3, 2001 containing information under Item 5 regarding a review by the Amex of the Company's continuing eligibility for listing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMPEX CORPORATION

Date: May 15, 2001

/s/ EDWARD J. BRAMSON

Edward J. Bramson
Chairman and Chief Executive Officer

Date: May 15, 2001

/s/ CRAIG L. McKIBBEN

Craig L. McKibben
Vice President, Chief Financial Officer and Treasurer