

Filmquest

September 18, 2013

To: Our Valued Customers

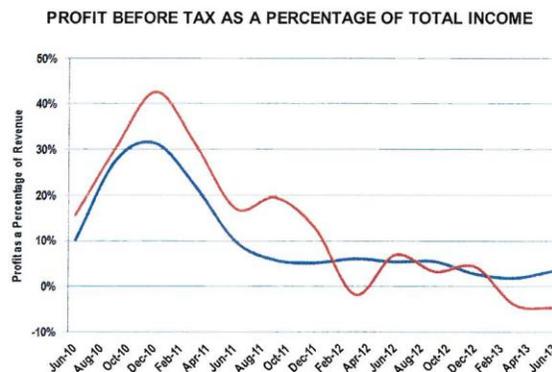
From: John Felinski

Re: Price Increase Memorandum

I would like to express my thanks and deepest appreciation for the confidence you have entrusted to Filmquest over the years. We recognize the responsibility your confidence brings and truly value our business relationship. So that we may better serve your growing needs, we continue to invest heavily in technology, new product development, capacity, and highly qualified personnel. We feel that by successfully implementing this strategy of unilateral improvement, we gain an exceptional set of tools with which we can provide you an unmatched level of product and service.

Another way we try to provide value to our business relationship is to share with you our market analysis / intelligence. Putting market changes in context helps our customer base understand the reason behind the changes and gives some insight as we look ahead.

The PET film price levels have drifted lower over the past 18 months to unsustainable levels. This can be attributed to tepid demand from the flexible packaging and consumer electronics market segments. Absent is the frenzied demand for solar technology since government sponsored subsidies were withdrawn. PET film capacity has increased during this period while the demand has remained relatively flat. Another factor impacting or disguising demand was the tremendous surplus of floor stock that was stockpiled during the shortages of 2010. While raw materials and energy costs have increased, overall PET film price pressure has remained downward due to the excess inventories and new over-competitive domestic producers trying to fill beleaguered backlogs. Since the exit of DuPont as the dominant force in the PET film market, there has been a vacuum in leadership. In the absence of a clear market leader like DuPont, when demand is soft and capacity available, a fragmented group of competitors vie for market share, bidding the price down to an absolute floor. And that is exactly what happened over the last eighteen months or so. At the current market price, producers hope to break even but most are likely losing money. Either way, that artificially low level of price cannot be sustained indefinitely. The chart below illustrates the profit levels of two primary producers of thin gauge PET film. We all knew that there was no rational justification for the pricing and excessive profits of 2010 and that those levels could not continue. We also know now that depressed pricing, as it stands today, cannot continue either without consequences.



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Since we purchase production capacity, and do not buy in the spot market, we have already absorbed escalating raw material cost over the last few months. To maintain market share in this uncertain and hypercompetitive market, we elected to absorb those added costs. The most recent increases, however, have made it imperative that we pass a portion of the increase along. We have cut expenses where we can, improved efficiencies where possible, and eliminated waste wherever it was identified. What we refuse to do is to compromise on the quality of our product or the quality of our service.

The risk is that extended periods of break even or loss will drive film companies competing for capital internally to invest in other markets offering a better ROI, which was one of the catalysts for the imbalance in 2010 spawning escalating prices. So, while we do not want to see our raw material costs increase, a little increase now could very well help avert another 2010 price tsunami tomorrow.

I hope you will understand and support the need to increase our PET film prices by \$0.05/lb effective with orders placed after October 1, 2013. We will honor current prices for existing orders that are scheduled for delivery on or before October 15, 2013.

Many of the major PET producers and other film sources have already announced increases. We expect those that have not to follow suit shortly. There will be others that will hold out for one last attempt to gain some market share, or a quick order, but they may or may not be able to deliver, or to honor pricing commitments. Filmquest's fundamental core belief is grounded in a relational rather than a transactional based strategic platform. We look at the long term and feel very strongly that you do as well.

I will be publishing regular market updates, starting with a Comprehensive Market Perspective. Look for these on our web site. We are, and will always be, your dedicated partner for PET films (with and without unique value added content), technical support, and unique demand-based supply programs.

Please feel free to contact me anytime if you would like to have a discussion in more detail. I would encourage and enjoy the opportunity to share observations and thoughts. Again, thank you for the honor of your continued support!

Sincerely,



John P. Felinski
President, CEO