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Iomega Corporation

(IOM - \$4.22)

Iomega: To Infinity & Beyond!

Initiating Coverage with a Buy Rating and 12-Month Price Target of \$6.75

EPS						Revenue			
Fiscal Year: December	2005A	2006A	06/05 Change	2007E	07/06 Change	Fiscal Year: December	2006A	2007E	07/06 Change
Q1	(0.11)	(0.04)	-	0.04A	-	Q1	59.1	76.0A	+29%
Q2	(0.12)	(0.09)	-	0.02	-	Q2	40.7	66.2	+63%
Q3	(0.11)	0.02	-	0.06	+200%	Q3	53.6	77.4	+44%
Q4	0.03	0.08	-	0.09	+13%	Q4	76.2	85.5	+12%
Year	(0.32)	(0.02)	-	0.20	-	Year	229.6	305.1	+33%
P/E	-	-		21.1x		xRev	0.99x	0.76x	

TRADING DATA			VALUATION DATA	
52-Week Range:	\$4.35—\$2.15		EBITDA (MM) FY07E:	\$15.7
Market Cap. (MM):	\$232.1		Enterprise Value (MM):	\$155.3
Shares Outstanding (MM):	55.0		EV/EBITDA FY07E	9.9x
Estimated Float (MM):	50.6		Cash Per Share:	\$1.40
Insider Ownership	5.8%		Book Value Per Share:	\$1.66
Average Volume	320,000		Total Debt (MM):	\$0

Business: Iomega is a maker of external and portable hard disk drives, network attached storage and managed services to home and small-to-mid-size business customers.

- **We believe new management has executed a significant operational turnaround.**
Iomega has benefited from a mix shift away from -declining Zip business
- **Sales of external and portable hard drives rose 66% y/y in 1Q07.** Sales have been driven by the storage demands of a YouTube and iPod generation
- **Iomega reported its third consecutive quarter of profitability.** 1Q07 EPS was \$0.04
- **We believe the long delayed Grass Valley Infinity camcorder will launch in early 3Q07**
Grass Valley could potentially generate \$45 million in annual REV revenue by FY10
- **We believe the company's financial position is strong.** Iomega holds \$76.8 million in cash, or \$1.40 per share, after generating \$8.7 million in cash in 1Q07.
- **We believe Iomega shares are significantly undervalued**

INVESTMENT OVERVIEW

Iomega is reemerging as a growth story. Plagued by a material decline in its legacy Zip business that generated \$1.2 billion in FY99 revenue, Iomega has been forced to wait for Zip's disappearance as multiple restructurings and unsuccessful product launches failed to offset declines. With a new, focused management team in place, Iomega has entered FY07 with strong momentum and several potential catalysts that have positioned its shares for significant gains over the next 12 months.

We believe new management is delivering on its stated goals of returning Iomega to profitability and restoring revenue growth. Management initiated a significant restructuring in 1H06 that further cut operating costs, replaced key personnel and streamlined the supply chain. The result has been three consecutive quarters of profitability through 1Q07. Based on Iomega's renewed revenue growth and profitability, management initiatives to grow revenue in higher gross margin segments, and potential catalysts such as the launch of the Grass Valley Infinity camcorder we believe the company is poised for revenue and earnings acceleration in FY07.

The bulk of Iomega's revenue is derived from the sale of external and portable hard disk drives (HDD), accounting for 66% of total 1Q07 revenue. A key initiative of management has been to restore profitability in HDD by reorganizing its supply chain and discontinuing unprofitable product lines. By 4Q06, substantial benefits of this initiative were realized as operating profits rose to \$2.3 million, reversing sizable earlier losses. Despite gross margins of 10%, HDD generated 85% of 4Q06 operating profit of \$2.7 million and is expected to be Iomega's main source of cash through FY08.

We expect REV removable storage solutions to be a major growth contributor to Iomega beginning in 4Q07. The catalyst for this growth will be the 3Q07 launch of long-delayed Grass Valley Infinity digital media camcorders embedded with Iomega REV drives. We believe revenue from Grass Valley will reach \$15 million in FY08 driving overall REV sales to \$65 million.

In addition, new product introductions in Iomega's Network Storage Solutions segment should drive revenue growth as demand for storage and management of digital content surges. We estimate revenue growth of 25% in this segment through FY08.

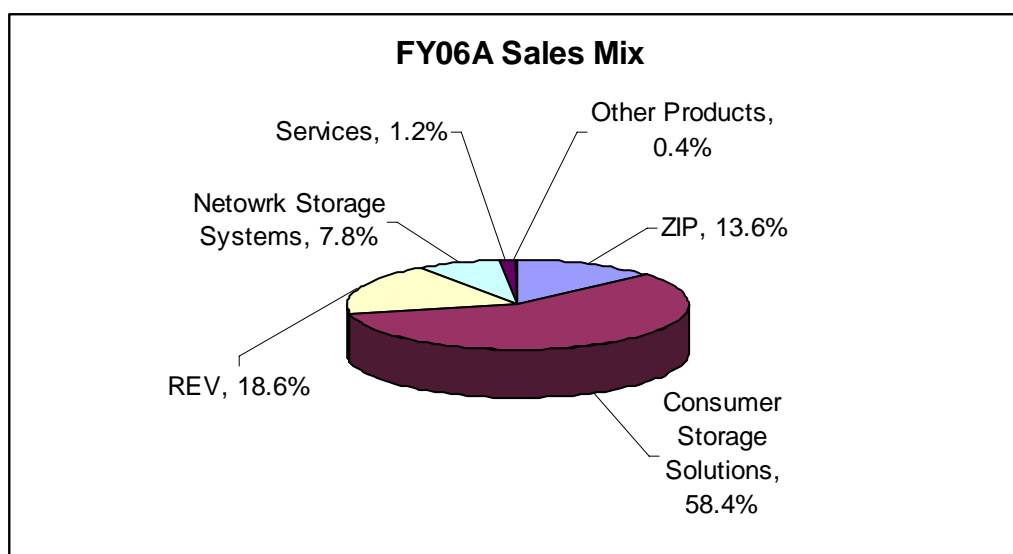
We believe management is focused on expanding Iomega into higher gross margin opportunities within storage and managed services, leveraging the company's formidable distribution pipeline and channel partner relationships. In August 2006, Iomega acquired CSCI Inc., a managed services provider of network security for home and small businesses. We believe FY08 managed services revenue will reach \$15.7 million and contribute \$0.06 per share to earnings. We believe management is actively evaluating additional opportunities and is seeking accretive acquisitions with a war chest that now totals \$76.8 million in cash, or a \$1.40 per share.

We believe Iomega shares are significantly undervalued at current prices. Iomega's turnaround appears well underway and we expect FY07 revenue to experience growth for the first time since FY99. We believe FY07 EPS will grow to \$0.20 from (\$0.02) in FY06. We are initiating coverage of Iomega with a Buy rating and 12-month price target of \$6.75.

BUSINESS OVERVIEW

Iomega is a leading manufacturer and marketer of external and portable data storage solutions and services to home and small to mid-size business (SMB) customers. Iomega's product lines enable customers to capture, store, protect and secure data on external and portable hard drives, network storage devices and servers. The company's products are sold through VARs, distributors, retailers, direct marketing resellers, OEMs and systems integrators.

Iomega operates in two divisions: Consumer Products and Business Products. The Consumer Products division consists of the company's legacy Zip business and external and portable hard disk drives (HDD), DVD and CD-RW rewritable drives. Business Products include the REV storage segment and network attached storage and servers. Additionally, CSCI Inc. was acquired in August 2006 bringing managed services that facilitate data protection through the use of firewalls, VPNs and secure remote access.



Consumer Products

Zip

Iomega is widely known for the phenomenal success of its Zip removable storage solutions. Originally launched in 1995, sales of Zip reached a stunning \$1.2 billion by 1999 before experiencing an almost equally stunning decline. We expect overall Zip revenue to drop to \$18.3 million by FY07. The advent of rewritable CDs (CD-RW) and other technologies, inroads by competitors and the 2006 passage of Restriction on Hazardous Substances (RoHS) initiative in Europe all conspired to drive revenue declines of approximately 50% per annum over the last several years. We anticipate Zip revenue will be immaterial by FY09.

Zip was originally introduced as an affordable portable storage solution for PC users constrained by the storage limitations of floppy disks. Launched with 100MB of storage capacity, Zip solutions were later expanded to 250MB. Iomega eventually launched a high capacity 750MB solution in 2002. Sales of Zip continued to slide, however, and we believe this product line will become largely unavailable over the next three years.

Despite Zip's decline, we believe Iomega continues to possess one of the strongest distribution channels in the computer peripheral industry and maintains substantial branding power based on this previous success.

Consumer Storage Solutions

As sales of Zip fall, consumer storage solutions accounted for 81% of total Consumer Products revenue in FY06 and we believe this concentration will grow to 92% in FY07 and virtually 100% by FY09. Approximately 95% of consumer storage solution revenue is derived through the sale of external desktop and portable HDDs. The remaining revenue is generated from optical CD-RW, DVD-RW, and USB floppy drives.

Iomega External Drives

Iomega markets 3.5-inch external desktop drives ranging in capacity from 250GB to 750GB available for both the PC and Mac. These drives contain software including EMC Retrospect that provides file back-up, disaster recovery and other related functions.

Products include:

Professional Series Hard Drives

Triple Interface & eSATA USB 2.0

Retail prices range from \$175 for 320GB to \$410 for 750GB

Value Series

Hi Speed USB 2.0

Retail prices begin at \$145 for 320GB to \$190 for 500GB

Value Series Desktop Hard Drive



Iomega Portable Drives

Iomega offers a wide range of 2.5-inch portable drives available in capacities ranging from 60GB to 160GB. Roughly the size of a credit card, portable drives easily fit into a shirt pocket and are available with back-up and disaster recovery software.

Products include:

Silver Portable

Hi Speed USB 2.0/Firewire

Retail prices begin at \$90 for 60GB to \$170 for 160GB

Iomega continues to augment its external and portable HDD franchise with innovative product offerings and we expect further product launches in the quarters ahead.

Business Products

REV Drives

Iomega introduced its portable REV storage solution in April 2004 with the launch of a 35GB drive and removable storage disk designed for small-to-medium sized businesses and enterprise workgroups. REV is a durable, high performance removable hard disk used for storage applications in computer, audio/video, medical imaging, workstation support, photography and graphics editing and archiving. The advanced design of REV includes placement of read/write heads, drive motor and core drive electronics inside the cartridge, isolating the platter from dust and offering more efficient data protection. The 35GB disk can hold up to 16,000 pictures of 6 mega-pixels resolution and allows for rapid transfer onto a computer. Transfer speeds of 25MB per second allow the drive to keep pace with video capture equipment to add, move, and delete video clips. We believe these capacity and performance attributes led to a key OEM contract with Thomson as discussed below. REV is currently available in 35GB and backward-compatible 70GB drives (launched July 2006) in both PC and Mac.

Retail prices for REV 35GB drives are approximately \$325 with removable storage disks at \$50 per unit. The newest REV70 GB drive, launched July 2006, retails for roughly \$600.

Thomson Grass Valley

Iomega signed an OEM agreement with Thomson in June 2005 to integrate REV drives into a next generation line of broadcast camcorders and recorders under the Grass Valley Infinity brand. Infinity is a production platform that empowers broadcasters and videographers with the capability to select a storage medium based on application, a key issue that has plagued production for the broadcast industry. The Infinity camera records on four types of removable media including the primary REV Pro and contains compression codecs for both DV and JPEG2000.



Originally expected to launch in Summer 2006, Grass Valley management reaffirmed the updated launch date of July/August 2007 at the 2007 National Association of Broadcasters Conference in April. According to Grass Valley, 100 cameras are currently in beta testing by various news organizations. Following several problems with the camcorders including power, weight, noise and sensor failures we believe the major issues have been corrected. Grass Valley also redesigned the cooling system of the camera to reduce temperature and has added new functionality. We believe the Grass Valley opportunity could lead to incremental annual REV revenue of \$15 million in FY08 and potentially \$45 million annually by FY10. We believe the upcoming launch of Infinity will be a significant catalyst for Iomega shares. The Infinity camcorder will compete directly with industry powerhouses Sony and Panasonic.

Network Storage Solutions

Iomega's Network Storage Solutions (NSS) segment addresses the growing demand for SMB data storage solutions. Network storage is comprised of network-attached storage (NAS) that is dedicated data storage that can be connected directly to a computer network. Demand for affordable, easy to install data recovery and backup solutions has fueled growth in the NAS market which has doubled from 2004 to 2006 and is expected to grow at a 25-30% clip through 2008. To address a wide range of users Iomega's NSS product line consists of two components: NAS for home and small offices and NAS Servers for SMBs.

Desktop NAS Devices for Small/Home Offices

Iomega offers NAS devices designed to sit at the desk environment. Low-end solutions include Iomega's StorCenter Pro NAS 150D, a Linux-based solution serving home users with 1TB of base capacity attached through a USB port or Ethernet cable. For larger operations, Iomega has developed desktop devices such as the StorCenter Pro NAS 250D offering 750GB of base capacity, printer connectivity, hot swappable disk technology, and an imbedded Windows Server 2003 operating system (OS).

Rack Mountable NAS Servers for SMBs

In the SMB market, Iomega has created high complexity network storage and server solutions. These NAS devices, as opposed to the box-like shape of desktop NAS products, are thin and mountable within a company's server rack. High-end servers include the recently released StorCenter Pro NAS 450R series that can hold up to 2TB of base capacity or 1.46TB of RAID 5 capacity. The 450R can manage up to five network printers. We believe Iomega is planning to launch a low-end rack mountable NAS product in the near future. Iomega mountable NAS servers include new hot-swappable technology absent from competitors such as Buffalo Technology and LaCie.

250D Series StorCenter Pro Solutions



Managed Services

Iomega entered into managed services after acquiring CSCI Inc. in August 2006. Iomega offers managed services to SMBs with products such as Office Screen and iStorage. Office Screen provides managed security services to SMBs including firewall management, VPNs and secure remote access for wireless or mobile users. iStorage is an online service that provides unlimited secure storage and data protection to SMBs on partner's servers. Iomega's services are backboned on hardware delivered by partner Juniper Networks. The company's managed services compete with providers such as IBM, Sonicwall and Fortinet.

We believe Iomega's managed services business will grow strongly over the next several years driven by demand from competitive local exchange carriers (CLEC). CLECs have grown in popularity since the Telecommunications Act of 1996 allowed these companies to compete against established carriers such as the Regional Bells and competitively offer SMBs integrated service packages. Iomega is work-

ing with CLECs and, in some cases, incumbent carriers (ILEC) to rollout additional service offerings for the SMB market.

Iomega announced two new customers in its managed services segment in 1Q07. One of these new customers is a fast food chain with 40 locations in the Southwest. Iomega is providing an IP managed firewall to protect the transmission of credit card transactions over an Internet connected LAN. We believe there is potential follow-on business with this customer including a 220-store franchisee. Iomega's second customer is a nine-location auto dealership that will utilize an IP managed firewall along with a VPN. We expect Iomega to continue to rollout new products within managed services including the potential launch of unified threat management capability with a large partner.

Other Products

Other Products includes legacy Jaz disks, software applications and license and patent fee income. Software applications include Iomega Automatic Backup and other miscellaneous products.

SALES

Iomega sells its products through a worldwide range of retailers, VARs, direct marketing resellers, distributors, OEMs and system integrators. In FY06, 62% of total company sales were generated outside of the U.S., primarily Western Europe, up from 55% in FY05.

A majority of Iomega's retail sales take place in Europe. In the U.S., Iomega products are found at U.S. retailers including Staples, Fry's and Comp USA. Iomega's extensive VAR channel built during the heyday of ZIP generates more than a third of the company's total revenue. Ingram Micro and Tech Data comprised 23% and 13% of FY06 revenue, respectively. The company sells REV to a variety of OEMs including Grass Valley. Iomega services are generally available from telecom resellers and distributors.

COMPETITIVE LANDSCAPE

Iomega competes with several major HDD manufacturers as well as a number of independent manufacturers in an intensely competitive market. The majority of these drive manufacturers compete directly with the company in the external, portable and network attached storage markets. Differentiating factors among these product categories include price, capacity, performance, ease of installation, software, reviews, word-of-mouth and customer loyalty. We believe the strength of channel partners and VAR, distributor, retailer and OEM relationships are also differentiating factors that determine market share.

HDD

Internal HDD manufacturers, principally Seagate Technology, Maxtor (a unit of Seagate) and Western Digital compete directly against Iomega with external and portable HDD products. Internal HDD represents the vast majority of drives sold dwarfing the market for external and portable solutions. The internal HDD market has come under pressure recently from a softer demand and pricing environment. We believe Western Digital began aggressively lowering prices in March to stimulate demand in the internal HDD market and other competitors have followed suit though in more restrained fashion. As a result, Seagate sharply reduced guidance for FY07 and FY08 and Western Digital offered a mixed outlook for its upcoming June quarter.

Unlike its internal counterpart, external and portable HDDs represent a sliver of the overall HDD market and are experiencing some of the fastest growth rates in the industry. According to iSuppli, 2006 sales of external HDDs jumped 37% y/y versus a far slower 15.5% for the overall HDD industry. The external drive market is projected to grow a further 35% in 2007. Pacing demand for external drives is a growing

number of computer users seeking to back-up and store pictures, as well as audio and video files downloaded from the Internet.

The competitive landscape in external and portable HDD is largely determined by the clout of Seagate/Maxtor and Western Digital who make-up the lion's share of shelf space and drives sold at retail. French drive maker LaCie has captured critical praise on performance and designer inspired form factors. Buffalo Technology is a strong competitor in international markets. Iomega competes favorably by the strength of its VAR, partner and distributor channels. Other players include HP and CMS as well as a host of smaller competitors.

While external and portable pricing appears to have withstood the aggressive price cuts on internal drives in the March quarter, we are beginning to see some elements of spillover. Seagate has begun to offer large incentives on its FreeAgent external/portable drive and, at the time of this publication, Best Buy was advertising the Seagate FreeAgent 320GB 3.5-inch External USB 2.0 drive for \$99.99 after \$70 instant savings. We believe Western Digital may follow suit with its popular external My Book after pricing of its portable Passport II 160GB 2.5-inch drives fell as low as \$109.99 after \$40 instant savings at Best Buy, sharply undercutting other retailers such as Staples and Amazon.

Despite early signs of pricing pressure in the external market, we believe Iomega's strength in alternative channels to retail will allow the company to grow at industry rates in the space with overall HDD gross margins maintaining 10% through FY07. We believe Iomega external HDDs are well positioned to benefit from overall growth in this segment and the company will mirror industry growth rates through 2008.

Seagate Technology

Seagate is a leading manufacturer of internal 3.5-inch ATA drives. The company, along with its recently acquired Maxtor unit, commands significant shelf space among retailers in external, portable and network storage drives. Seagate brands include FreeAgent portable storage and Maxtor brands such as One-Touch, Shared Storage, Fusion and Basics.

Seagate significantly reduced guidance for its upcoming fourth fiscal quarter due to an erosion in the internal HDD pricing environment in March. Management reiterated that it remains "very enthusiastic" on the growth prospects in branded solutions that includes external and portable drives and is planning to introduce new iterations to its FreeAgent line in the June quarter.

Western Digital

Western Digital is another large internal 3.5-inch ATA drivemaker that is a dominant retail force in external and portable drives led by its popular My Book and Passport brands. Western Digital drew the ire of competitors in March after launching significant price cuts on its internal line of drives.

Western Digital reported better than expected numbers in its third (March) quarter that it attributed in part to its "high velocity" model that allows the company to adjust prices within the quarter to react to market changes. Competitors characterized this model as an aggressive move on pricing to drive unit shipments. Gross margins came in at 15.8% in the third quarter, well below guidance of 17%.

LaCie

LaCie is a French-based manufacturer of external and portable HDDs, network storage solutions and to a lesser extent LCD monitors and software. LaCie is traded on the Paris Exchange and generated revenue over the trailing 12 months of US \$489.8 million on unit volume of 3.2 million. Revenue per geog-

raphy is 56% in Europe and 36% Americas. LaCie typically scores well in consumer review for performance and reliability and is known for the designer inspired styles of its external and portable drives. The company has seen a sharp drop in gross margins over the past two quarters due to pricing pressure and is currently reorganizing its US sales force. We believe LaCie is one of Iomega's closest peer competitors.

Buffalo Technology

Buffalo Technology, headquartered in Austin, Texas, is a unit of Melco Holdings of Japan. Melco is comprised of 13 subsidiaries including Buffalo, a manufacturer of portable and network storage, as well as wireless routers, memory and multimedia solutions. We believe annual sales of Buffalo's external, portable and network storage drives will reach \$400 million in FY07. Brand names include DriveStation in external storage, MiniStation in portable storage, and LinkStation and TeraStation in network attached storage. We believe Buffalo products are well regarded in the marketplace and, along with LaCie, represent one of Iomega's chief competitors, particularly in network attached storage.

REV

REV competes with a host of storage solutions including low-end magnetic tape, optical storage such as Blu-ray and DVD, magneto-optical disks and external HDD used for computer backup and mass storage. We believe REV is superior to magnetic tape-based Digital Data Storage/Digital Audio Tape and Travan-based tape systems on factors such as speed, durability and price. We believe the latest addition of a 70GB solution allows Iomega to compete favorably with Blu-ray technology.

Seagate created somewhat of a stir at the 2006 Consumer Electronics Show with a product called Tornado that would compete against Iomega REV with removable media docked in an eSATA port. To-date there has been no further mention of Tornado by Seagate or of potential introduction dates.

Network Storage Solutions

Competition in network storage is rising steadily. Despite the entry of several competitors in 2005 we believe Iomega competes most aggressively with Buffalo Technology. NAS powerhouse Network Applications reportedly entered the SMB space in 2006 but we believe the company has yet to acquire meaningful market share. Other competitors to Iomega in NAS are Dell, Snap Appliance, LaCie, and Hewlett-Packard.

MANAGEMENT*:**Jonathan Huberman – Chief Executive Officer & Vice Chairman**

Jonathan Huberman became Vice Chairman and CEO of Iomega in February 2006 after initially overseeing an investment in the company while a partner at Idanta Partners. Prior to accepting this position, Mr. Huberman was a Managing Director at aAd Capital, a hedge fund focused on investing in small to mid-sized public companies. Prior to aAd Capital, Mr. Huberman was a General Partner with Idanta Partners, a private equity affiliate of the Bass family interests. During his more than nine years at Idanta, Mr. Huberman made private and public investments in many sectors including a variety of hardware, software and services companies across the information technology value chain. In addition, while at Idanta, Mr. Huberman served as CEO of two of Idanta's portfolio companies and on twelve Boards of Directors. Prior to joining Idanta, Mr. Huberman was a case leader with the Boston Consulting Group, a strategic management consulting firm, where he focused on the high technology and consumer products industries and advised clients on a range of issues, such as corporate and business unit strategy, marketing strategy, new product development, and reengineering. Mr. Huberman also served as Special Advisor to the Director of the Defense Advanced Research Projects Agency (DARPA) from 1999 to 2001. Mr. Huberman graduated with a BA in Computer Science from Princeton University, and received an MBA from The Wharton School at the University of Pennsylvania.

Thomas Kampfer – Chief Operating Officer & President

Thomas Kampfer was named President and COO of Iomega in February 2006. Mr. Kampfer joined Iomega in July 2001 from Entropia Inc., a developer of distributed computing technology, where he served as Vice President, General Counsel and Secretary and Vice President, Corporate Development, from February to July 2001. In this role he was responsible for identifying and pursuing strategic alliances across targeted verticals and driving strategic planning initiatives for the company. In addition, Mr. Kampfer provided legal counsel on a broad range of business, transactional and intellectual property matters. Previously, Mr. Kampfer was with Proxima Corporation, a developer, manufacturer and marketer of multimedia projection products, which was acquired by InFocus Corporation in June of 2000. There, he served in several capacities from January 1995 to January 2001, including Vice President, General Counsel and Secretary and Vice President, Business Development. Prior to his Proxima assignment, Mr. Kampfer spent ten years with IBM Corporation, first as an engineer and later as an attorney focused on commercial agreements, software licensing, mergers and acquisitions, and restructuring. Mr. Kampfer holds a Bachelor of Science degree in Industrial Engineering from Purdue University and a Juris Doctorate degree from Georgetown University.

Preston Romm – Chief Financial Officer

Preston Romm was named CFO of Iomega in March 2006. Mr. Romm was most recently Vice President of Finance, CFO, Treasurer and Secretary at Dot Hill Systems Corporation, a \$250 million publicly traded storage systems company. Prior to joining Dot Hill in 1999, Mr. Romm was Vice President of Finance, CFO and Secretary at Veriteq, Inc., a privately held \$60 million company in the front-end semiconductor capital equipment industry. Mr. Romm's finance leadership experience in technology-related industries also includes assignments as Vice President, Controller and Chief Accounting Officer with MTI Technology Corporation from 1990 to 1994, followed by the role of Vice President of Finance and Administration and CFO at STM Wireless, Inc., from 1994 to 1997. Mr. Romm has a Bachelor's degree in accounting from the University of Maryland, and an MBA in finance from American University.

*Information obtained from company reports.

FIRST QUARTER RESULTS

We believe first quarter results for Iomega reflect a company that has reemerged as a vehicle of growth and cash flow generation. Iomega posted its third consecutive quarter of profitability in 1Q07 as revenue grew for the second consecutive quarter. Revenue rose 29% y/y to \$76.0 million nearly matching the \$76.2 million of its seasonally strongest fourth quarter. Gross margins fell 140 bps q/q to 18.8% reflecting a mix toward lower margin HDD business. Excluding a charge of \$1.7 million related to the write-down of goodwill on its Zip product line and a \$38,000 restructuring reversal in the quarter, Iomega generated net income of \$2.2 million, or EPS of \$0.04 on a diluted share count of 55.0 million. The company reported positive cash flow in the quarter of \$8.7 million and now holds \$76.8 million in cash, or \$1.40 per share.

Revenue

First quarter revenue was driven by stronger than expected sales of HDD, comprising approximately 95% of revenue in its Consumer Storage Solutions segment. Gross margins for HDD weakened sequentially reflecting more extensive use of incentive programs in the quarter and an increasingly aggressive pricing environment led by major drive makers such as Western Digital and Seagate.

Sales of REV remain sluggish despite the market entry of the company's 70GB drive in July 2006 coming in at \$11.2 million, down 6% sequentially.

Among other products, Zip revenue was stronger than expected in the quarter at \$5.5 million, up slightly on a sequential basis, although we continue to expect further weakening through FY07. Network Storage Systems generated revenue of \$4.7 million, down 7% sequentially, and the Services division that consists of CSCI rose 23% to \$1.89 million from the fourth quarter on the addition of new customers.

The company generated one-time revenue of \$350,000 in the quarter from the licensing of IT to an intellectual property aggregator.

Expenses

We believe Iomega continues to manage its expenses effectively after a significant restructuring in 1H06. SG&A rose 2% to \$10.1 million, or 13.3% of revenue, up from 13.0% of revenue in 4Q06 but down sharply from 21.1% of revenue in 1Q06. R&D expenses declined to \$1.74 million in the quarter.

FINANCIAL OUTLOOK

The following details are model assumptions for Iomega based on our expectations for organic growth and new business opportunities.

We are estimating FY07 revenue of \$305.1 million, up 33% y/y. We are estimating y/y growth for each of Iomega's operating units, excluding Zip. We expect gross margins of 18.9% for the year based on the growth of low margin HDD in FY07. We believe Iomega will generate EPS of \$0.20 for the year and maintain profitability in each quarter.

For FY08, we estimate revenue will climb to \$384.7 million, up 26% y/y. We expect gross margins will rise to 19.3% as higher gross margin REV, NSS and Services revenue ramp throughout the year. We are estimating FY08 EPS of \$0.37.

Consumer Storage Solutions: Consumer Storage Solutions revenue is led by sales of external and portable HDDs that comprise 95% of total CSS revenue. We expect the overall market for external and portable hard drives to grow 35% in FY07 and 30% in FY08 led by storage demand for video and music files.

We estimate Iomega FY07 CSS revenue will rise 53% to \$205.4 million. We believe the company will see growth in this segment at a higher than average market rate as a result of artificially depressed revenue in 1H06 due to the company's restructuring. On a linear basis, we expect CSS revenue to be weakest in 2Q07 due to summer work holidays in Europe. Management reported that the company entered the second quarter with a backlog of slightly higher magnitude than the previous quarter (approximately \$10 million) but expected the second quarter to be front-end loaded. We believe CSS revenue will ramp through 3Q07 into its seasonally strong fourth quarter.

We have modeled FY07 gross margins of 10% for CSS. We anticipate a slight degree of margin compression for HDD in the second and third quarters of FY07 due to a price battle between Western Digital, Seagate and Hitachi on internal 3.5-inch drives potentially spilling into the external and portable market.

We believe FY08 CSS revenue will grow in-line with industry rates to \$267.0 million, up 30% y/y.

Zip: Revenue for the company's legacy Zip product has been declining at an approximate rate of 50% annually. Revenue for Zip showed a small degree of sequential growth in 1Q07, however, and we are anticipating a slightly slower decline in FY07 to \$18.3 million, down 41% y/y. Despite the 2006 European Union RoHS mandate retailers and distributors continue to sell Zip drives previously held in inventory. For FY08 we expect revenue to decline 50% to \$9.1 million. We believe sales of Zip will become immaterial by 2010 as suppliers end-of-life key parts due to declining revenue and the company will likely be forced into making a final one-time parts purchase. Zip maintains gross margins in the range of 50%.

REV: Sales of REV drives and media remain disappointing despite the launch of a 70GB model in July of last year. Barring incremental OEM opportunities for REV we believe the future of this product is directly tied to a timely rollout of the Grass Valley Infinity Camcorder. The company is currently generating some revenue from Infinity as cameras are developed for use in beta testing helping to offset sales declines. We expect REV revenue through the first three quarters of 2007 will range between \$11 and \$12 million per quarter.

We believe the overall Grass Valley opportunity for REV assuming Infinity captures 100% of the broadcast camcorder market is \$300 million. On a more realistic basis, we believe the Infinity can capture 5% of the camcorder market by FY08 and 15% by FY10. Based on these expectations, we are estimating \$2.75 million in Infinity revenue in 4Q07 based on an assumed launch date of August 2007. We believe that this number is attainable assuming that any potential delay in the August rollout does not extend beyond October. We are estimating a further \$15 million in Infinity revenue in FY08 based on our estimate of 5% market share. We believe Infinity can capture 5% market share in Year 1 based on technological advances of the camcorder and from feedback we have received from industry sources. By FY10, we believe sales of REV to Grass Valley will total \$45 million, representing 15% of the broadcast camcorder market. We have modeled a 28% gross margin for REV through FY08 that includes incremental Grass Valley revenue.

Network Storage Solutions: We are modeling revenue growth of 25% annually for Network Storage Solutions (NSS) through FY08. We believe this growth will result from new product launches in network-attached storage and from overall market growth driven by SMB demand to store and management digital content such as video and audio files. We believe FY07 NSS revenue will be back-end loaded ramping in 3Q07 and highest in 4Q07 based on the timing of new product introductions.

Services: Newly acquired CSCI is currently contributing nominal sales of 2.5% of total revenue. However, we believe sales for this unit will continue to see sequential quarterly growth rates of roughly 20% through FY07 as the company leverages CSCI into its VAR and partner channels. We anticipate the near-term launch of a unified threat management module with a major partner along with other module offerings to drive revenue over the next several quarters. In FY08, we are estimating revenue growth of 55% to \$15.7 million on new product introductions and further penetration of VAR and distribution channels. We estimate a blended gross margin for the Services segment of 35%.

Other Products and Revenue: Sales of other products such as legacy Jaz disks and automatic backup software are immaterial to our estimates.

License and Patent Fee Income: Based on Iomega's extensive IP portfolio the company may generate periodic license fee income from company's that aggregate and license IP in similar fashion to the license payment of \$350,000 received in 1Q07. As these license agreements are typically one-time in nature we have not modeled any license fee income in future quarters.

The company's DCT IP licensee is due to make a final \$3.5 million payment by November 2007. Despite the licensee's suspension of work on DCT, the licensee remains contractually obligated to pay the amount no later than November 2007 and we have modeled this amount in 4Q07.

VALUATION ANALYSIS

We considered our valuation for Iomega on the basis of several metrics before arriving at a revenue multiple as the best approximation.

We view Iomega's business as bifurcated into a low margin business (HDD) and a relatively higher margin business consisting of REV, network attached storage and services. We believe gross margins for HDD are approximately 10% and average 30% for REV, network attached storage and services. Based on this disparity and growth in the Business Products segment we believe Iomega should command a higher multiple of valuation than internal HDD comps traditionally considered the company's peer group. In addition, we believe the goal of current management is to continue to guide the company into higher gross margin opportunities that will theoretically lift overall margins in future years. We therefore approach our valuation analysis from the perspective of each division: CSS, which is HDD minus Zip, and Business Products consisting of REV, NSS and Services.

Valuation for Iomega Consumer Storage Solutions

Multiples of revenue in the HDD space are relatively straightforward at 0.8-1.1x revenue (see comp table). We pegged our value for CSS (HDD minus Zip) at 0.97x based on an average of the trailing revenue multiples for Seagate and Western Digital. Based on our FY07 revenue estimate of \$205.4 million, we believe the value of Iomega's HDD business over the next 12 months is \$3.62.

Due to the continuing revenue deterioration of Zip and our expectation that the business will become immaterial to Iomega by FY10 we are conservatively assigning zero value to this unit.

Valuation for Iomega Business Products

In determining a blended revenue multiple for REV, NSS and Services we looked at several companies itemized in our comp table. Values range widely from relatively high multiples found at network-attached storage comps to low multiples for REV comps. Taking an average of seven comparables to Iomega's Business Products segment provided a revenue multiple of 2.17x. Based on this multiple we believe the 12-month value of the Business Products segment is \$3.19.

Price Target

With \$1.40 per share in cash, we believe the market is valuing Iomega's operations at only \$2.82 per share. Adding our HDD value of \$3.62 to our Business Products value of \$3.19 based on our FY07 estimates indicates the value of Iomega operations is roughly \$6.75. We are therefore establishing a 12-month price target, excluding cash, of \$6.75.

INVESTMENT RISKS

Price Competition in HDD: As outlined, the HDD business is a fiercely competitive industry with significantly larger and more established companies having a long history of using aggressive price cuts to gain market share. While the current unfavorable pricing environment has been contained to the internal HDD market, Iomega could experience severe pressure to its gross margins should competitors begin implementing price cuts on external and portable drives. These price cuts could materially change our estimates and price objectives for Iomega shares.

Further Delay in Launch of Grass Valley Infinity Camcorders: The launch of Infinity camcorders from Grass Valley embedded with Iomega REV drives has been delayed several times since Iomega signed its original contract in June 2005. The delays have been the result of a variety of operating issues with the

camera and less than favorable alacrity from Grass Valley management to deliver the product in a timely fashion. The July/August 2007 launch date was reaffirmed in mid-April by Grass Valley management at NAB2007 and there are approximately 100 cameras currently in field beta testing. Any significant delay in the launch of Infinity past October 2007 will place our estimates at risk and could materially change our estimates and price objectives for Iomega shares.

Acquisition and Integration Risk: We believe a key strategy of current management is to acquire synergistic businesses to drive expansion of gross margins and EPS. We believe this strategy carries standard risks including the potential diversion of management's attention from running the core operations of Iomega. Any failure to integrate new businesses in a timely fashion and at reasonable expenditure could materially change our estimates and price objectives for Iomega shares.

Publicly traded companies mentioned or referenced in this report:

Seagate Technology (NYSE: STX, \$22.50, not rated)
Western Digital (NYSE: WDC, \$18.34, not rated)
Thomson (NYSE: TOC, \$41.30, not rated)
Overland Storage (NASDAQ: OVRL, \$3.69, not rated)
Network Appliance (NASDAQ: NTAP, \$38.57, not rated)
EMC (NYSE: EMC, \$15.68, not rated)
NetGear (NASDAQ: NTGR, \$35.24, not rated)
Imation (NYSE: IMN, \$38.05, not rated)
Staples (NASDAQ: SPLS, \$25.09, not rated)
Amazon (NASDAQ: AMZN, \$61.83, not rated)
Best Buy (NYSE: BBY, \$46.42, not rated)
Dell (NASDAQ: DELL, \$26.02, not rated)
Hewlett-Packard (NYSE: HPQ, \$45.01, not rated)

Iomega Corp. (IOM)
Income Statement

(\$ in thousands, except per share data)

Fiscal Year: December	1Q05A	2Q05A	3Q05A	4Q05A	FY05A	1Q06A	2Q06A	3Q06A	4Q06A	FY06A	1Q07A	2Q07E	3Q07E	4Q07E	FY07E	FY08E
Sales:																
Consumer Products																
Zip	20,145	16,778	14,868	12,310	64,101	11,643	7,793	6,245	5,472	31,153	5,518	5,000	4,000	3,750	18,268	9,134
Consumer Storage Solutions	36,449	32,288	26,049	41,685	136,471	31,532	20,150	30,317	52,150	134,149	52,489	42,500	53,000	57,365	205,354	266,960
Total Consumer	56,594	49,066	40,917	53,995	200,572	43,175	27,943	36,562	57,622	165,302	58,007	47,500	57,000	61,115	223,622	276,094
Business Products																
REV	12,093	11,141	10,255	12,443	45,932	10,779	8,889	11,201	11,929	42,798	11,204	11,100	11,750	14,500	48,554	65,000
Network Storage Systems	3,785	4,989	4,336	3,314	16,424	4,856	3,395	4,473	5,093	17,817	4,738	5,250	5,750	6,500	22,238	27,798
Network Storage Services (CSCI)			124				146	1,254	1,536	2,936	1,892	2,250	2,750	3,250	10,142	15,720
Total Business	15,878	16,130	14,715	15,757	62,356	15,635	12,430	16,928	18,558	63,551	17,834	18,600	20,250	24,250	80,934	108,518
Other Products	458	516	220	277	1,471	271	279	105	46	701	143	125	125	125	518	100
Total Sales	72,930	65,712	55,852	70,029	264,399	59,081	40,652	53,595	76,226	229,554	75,984	66,225	77,375	85,490	305,074	384,712
Cost of Sales	56,385	52,209	44,890	55,186	208,670	47,280	33,859	41,379	60,824	183,342	61,681	53,654	62,746	69,222	247,303	310,386
Gross Margin	16,545	13,503	10,962	14,843	55,729	11,801	6,793	12,216	15,402	46,212	14,303	12,571	14,629	16,268	57,771	74,326
Gross Margin %	22.7%	20.5%	19.6%	21.2%	21.1%	20.0%	16.7%	22.8%	20.2%	20.1%	18.8%	19.0%	18.9%	19.0%	18.9%	19.3%
Expenses:																
Selling, General & Administrative	18,215	16,111	14,529	11,687	60,542	12,460	10,357	8,657	9,917	41,391	10,120	10,000	10,150	10,150	40,420	46,165
Research & Development	4,104	3,959	3,195	2,901	14,159	2,567	2,475	1,904	1,959	8,905	1,739	1,750	1,800	1,750	7,039	7,750
License and Patent Fee Income	7	405	889	0	1,301	0	1,085	0	0	1,085	350	0	0	3,500	3,850	500
Goodwill Impairment	0	0	0	0	0	3,081	2,341	2,513	793	8,728	1,700	1,300	0	0	3,000	0
Restructuring	235	(41)	6,579	806	7,579	278	4,291	(211)	(829)	3,529	(38)	0	0	0	(38)	0
Total Operating Expenses	22,312	19,665	16,835	14,588	73,400	15,027	11,747	10,561	11,876	49,211	11,509	11,750	11,950	11,900	47,109	53,915
Operating Income	(5,767)	(6,162)	(5,873)	255	(17,671)	(3,226)	(4,954)	1,655	3,526	(2,999)	2,794	821	2,679	4,368	10,662	20,411
Interest and Other	(454)	(305)	599	561	401	1,014	390	700	752	2,856	255	850	925	1,250	3,280	4,000
Net Income Before Taxes	(6,221)	(6,467)	(5,274)	816	(17,270)	(2,212)	(4,564)	2,355	4,278	(143)	3,049	1,671	3,604	5,618	13,942	24,411
Provision for Income Taxes	(531)	(121)	399	(729)	-982	(200)	116	1,189	23	1,128	891	758	541	843	3,032	3,662
Tax Rate								50.5%			29.2%	45.4%	15.0%	15.0%	21.7%	15.0%
Net Income	(5,690)	(6,346)	(5,673)	1,545	(16,288)	(2,012)	(4,680)	1,166	4,278	(1,271)	2,158	913	3,063	4,776	10,910	20,749
Basic Earnings Per Share	(0.11)	(0.12)	(0.11)	0.03	(0.32)	(0.04)	(0.09)	0.02	0.08	(0.02)	0.04	0.02	0.06	0.09	0.20	0.37
Diluted Earnings Per Share	(0.11)	(0.12)	(0.11)	0.03	(0.32)	(0.04)	(0.09)	0.02	0.08	(0.02)	0.04	0.02	0.06	0.09	0.20	0.37
Basic Shares Outstanding	51,611	51,612	51,627	51,642	51,623	51,649	51,658	53,382	54,730	52,855	54,733	55,050	55,200	55,350	55,083	56,000
Diluted Shares Outstanding	51,611	51,612	51,627	51,642	51,623	51,649	51,658	53,389	55,191	52,972	54,979	55,400	55,600	55,700	55,420	56,500
Percent of Revenues																
Sales:																
Consumer Products																
Zip	27.6%	25.5%	26.6%	17.6%	24.2%	19.7%	19.2%	11.7%	7.2%	13.6%	7.3%	7.6%	5.2%	4.4%	6.0%	2.4%
Consumer Storage Solutions	50.0%	49.1%	46.6%	59.5%	51.6%	53.4%	49.6%	56.6%	68.4%	58.4%	69.1%	64.2%	68.5%	67.1%	67.3%	69.4%
Total Consumer	77.6%	74.7%	73.3%	77.1%	75.9%	73.1%	68.7%	68.2%	75.6%	72.0%	76.3%	71.7%	73.7%	71.5%	73.3%	71.8%
Business Products																
REV	16.6%	17.0%	18.4%	17.8%	17.4%	18.2%	21.9%	20.9%	15.6%	18.6%	14.7%	16.8%	15.2%	17.0%	15.9%	16.9%
Network Storage Systems	5.2%	7.6%	7.8%	4.7%	6.2%	8.2%	8.4%	8.3%	6.7%	7.8%	6.2%	7.9%	7.4%	7.6%	7.3%	7.2%
Network Storage Services	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.4%	2.3%	2.0%	1.3%	2.5%	3.4%	3.6%	3.8%	3.3%	4.1%
Total Business	21.8%	24.5%	26.3%	22.5%	23.6%	26.5%	30.6%	31.6%	24.3%	27.7%	23.5%	28.1%	26.2%	28.4%	26.5%	28.2%
Other Products	0.6%	0.8%	0.4%	0.4%	0.6%	0.5%	0.7%	0.2%	0.1%	0.3%	0.2%	0.2%	0.2%	0.1%	0.2%	0.0%
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	77.3%	79.5%	80.4%	78.8%	78.9%	80.0%	83.3%	77.2%	79.8%	79.9%	81.2%	81.0%	81.1%	81.0%	81.1%	80.7%
Gross Margin	22.7%	20.5%	19.6%	21.2%	21.1%	20.0%	16.7%	22.8%	20.2%	20.1%	18.8%	19.0%	18.9%	19.0%	18.9%	19.3%
Expenses:																
Selling, General & Administrative	25.0%	24.5%	26.0%	16.7%	22.9%	21.1%	25.5%	16.2%	13.0%	18.0%	13.3%	15.1%	13.1%	11.9%	13.2%	12.0%
Research & Development	5.6%	6.0%	5.7%	4.1%	5.4%	4.3%	6.1%	3.6%	2.6%	3.9%	2.3%	2.6%	2.3%	2.0%	2.3%	2.0%
License and Patent Fee Income	0.0%	0.6%	1.6%	0.0%	0.5%	0.0%	2.7%	0.0%	0.0%	0.5%	0.5%	0.0%	0.0%	4.1%	1.3%	0.1%
Goodwill Impairment	0.0%	0.0%	0.0%	0.0%	0.0%	5.2%	5.8%	4.7%	1.0%	3.8%	2.2%	2.0%	0.0%	0.0%	1.0%	0.0%
Restructuring	0.3%	-0.1%	11.8%	1.2%	2.9%	0.5%	10.6%	-0.4%	-1.1%	1.5%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Operating Expenses	30.6%	29.9%	30.1%	20.8%	27.8%	25.4%	28.9%	19.7%	15.6%	21.4%	15.1%	17.7%	15.4%	13.9%	15.4%	14.0%
Operating Income	-7.9%	-9.4%	-10.5%	0.4%	-6.7%	-5.5%	-12.2%	3.1%	4.6%	-1.3%	3.7%	1.2%	3.5%	5.1%	3.5%	5.3%
Interest and Other	-0.6%	-0.5%	1.1%	0.8%	0.2%	1.7%	1.0%	1.3%	1.0%	1.2%	0.3%	1.3%	1.2%	1.5%	1.1%	1.0%
Net Income Before Taxes	-8.5%	-9.8%	-9.4%	1.2%	-6.5%	-3.7%	-11.2%	4.4%	5.6%	-0.1%	4.0%	2.5%	4.7%	6.6%	4.6%	6.3%
Provision for Income Taxes	-0.7%	-0.2%	0.7%	-1.0%	-0.4%	-0.3%	0.3%	2.2%	0.0%	0.5%	1.2%	1.1%	0.7%	1.0%	1.0%	1.0%
Net Income	-7.8%	-9.7%	-10.2%	2.2%	-6.2%	-3.4%	-11.5%	2.2%	5.6%	-0.6%	2.8%	1.4%	4.0%	5.6%	3.6%	5.4%
Year-Over-Year Growth																
Revenues	-13.3%	-15.4%	-27.7%	-21.9%	-19.6%	-19.0%	-38.1%	-4.0%	8.8%	-13.2%	28.6%	62.9%	44.4%	12.2%	32.9%	26.1%

California Equity Research, LLC
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 05/09/07

Iomega Corp. (IOM)

Balance Sheet

(\$ in thousands)

Assets	<u>1Q07</u>	<u>FY06</u>	<u>FY05</u>
Cash and Cash Equivalents	66,856	56,617	70,943
Restricted Cash	88	88	256
Temporary Investments	9,904	11,443	24,800
Total Cash	76,848	68,148	95,999
Trade Receivables	23,357	30,418	28,853
Inventories	41,482	42,593	27,532
Deferred Taxes	2,747	2,747	5,523
Other Current Assets	2,957	3,401	4,998
<i>Total Current Assets</i>	<i>147,391</i>	<i>147,307</i>	<i>162,905</i>
Property and Equipment, Net	5,761	6,553	8,311
Goodwill		12,451	11,691
Intangible and Other Assets	11,749	1,103	762
<i>Total Assets</i>	<i>164,901</i>	<i>167,414</i>	<i>183,669</i>
<i>Liabilities and Stockholders' Equity</i>			
Accounts Payable	35,330	35,105	35,500
Margin on Deferred Revenue		4,897	7,150
Marketing Program Accruals		1,998	3,726
Accrued Payroll, Vacation, and Bonus		4,919	3,812
Accrued Warranty		4,576	4,973
Accrued Restructuring Charges		1,873	4,405
Accrued Excess Purchase Commitments		4,049	3,352
Tax Contingency Reserves		4,323	13,692
Other Accrued Liabilities	28,383	5,840	8,641
Income Taxes Payable	3,858	454	310
<i>Total Current Liabilities</i>	<i>67,571</i>	<i>68,034</i>	<i>85,561</i>
Deferred Income Taxes	6,075	9,573	17,152
Stockholders' Equity:			
Preferred Stock		0	0
Series A Junior Participating Preferred		0	0
Common Stock		1,846	1,839
Additional Paid-In Capital		59,635	79,613
Treasury Stock		(5,662)	(33,791)
Retained Earnings		33,988	33,295
<i>Total Stockholders' Equity</i>	<i>91,255</i>	<i>89,807</i>	<i>80,956</i>
<i>Total Liabilities and Stockholders' Equity</i>	<i>164,901</i>	<i>167,414</i>	<i>183,669</i>

Source: Company reports and California Equity Research

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Iomega Corp. (IOM) Comp Table

<u>Consumer (HDD)</u>	<u>2006</u>				<u>2007E</u>			
	<u>IOM</u>	<u>WDC</u>	<u>STX</u>	<u>Average (xIOM)</u>	<u>IOM</u>	<u>WDC</u>	<u>STX</u>	<u>Average (xIOM)</u>
Company								
Market Cap (000s)	232,100	4,144,840	12,982,500		232,100	4,144,840	12,982,500	
Revenue (000s)	246,500	5,186,500	11,400,000		305,100	5,750,000	11,900,000	
Gross Margin	18.80%	16.90%	18.50%		18.90%	17.30%	19.00%	
EBITDA (000s)	6,400	295,000	1,310,000		15,700	309,750	1,441,000	
EPS	(0.02)	2.00	1.40		0.20	2.10	2.00	
Price/Earnings	(210.27)	9.46	17.94		94.55	9.00	12.56	
Price/Sales	0.94	0.80	1.14	0.97	0.76	0.72	1.09	0.91
EBITDA Multiple	36.27	14.05	9.91		14.78	13.38	9.01	

<u>Business Products</u>	<u>Trailing 12 Months</u>						
	<u>NTGR</u>	<u>EMC</u>	<u>HILL</u>	<u>OVRL</u>	<u>NTAP</u>	<u>IMN</u>	<u>Average</u>
Company							
Market Cap (000s)	1,246,157	33,272,960	191,647	47,011	15,008,358	1,346,970	
Revenue (000s)	619,870	11,579,000	239,217	168,130	2,409,000	1,635,700	
Price/Sales	2.01	2.87	0.80	0.28	6.23	0.82	2.17
Product Comp	Services	NAS	NAS	REV	NAS	REV	

Iomega Valuation

	<u>Rev (FY07E)</u>	<u>Avg. Multiple</u>	<u>Unit Value</u>	<u>Value/Share</u>
Consumer HDD:	205.4	0.97	199.0	\$3.62
Business Products:	80.9	2.17	175.5	\$3.19
				\$6.81

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Disclosures

Required Disclosures

California Equity Research, LLC does not expect to receive, or intends to seek, compensation for investment banking services from this company in the next three months.

California Equity Research, LLC is an independent, research-only investment firm. Bud Leedom and Michael R. Boroughs the research analysts principally responsible for the preparation of this report will not receive compensation related to California Equity Research's investment banking services.

I, Bud Leedom, attest that (i) all the views expressed in this research report accurately reflect my personal views about the common stock of the subject company, and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed in this report.

I, Michael R. Boroughs, attest that (i) all the views expressed in this research report accurately reflect my personal views about the common stock of the subject company, and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed in this report.

Bud Leedom and Michael R. Boroughs own shares in Iomega at the time of the dissemination of this research report.

Ratings Information

The following ratings apply to California Equity Research, LLC research:

Buy: Equities that we expect to outperform the overall market over the next 12-24 months. Investors are advised to purchase companies that contain this rating.

Neutral: Equities that we expect to track the performance of the overall market over the next 12-24 months. Investors are advised to maintain positions in companies that contain this rating.

Sell: Equities that we expect to underperform the overall market over the next 12-24 months. Investors are advised to sell companies that contain this rating.

Other Disclosures

Information contained herein has been obtained by sources believed to be reliable but is not guaranteed and we are not soliciting any action based upon it. The opinion on these pages is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed herein reflect the judgment of the author at this date and are subject to change without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield. Investors should be cognizant of the fact that past performance is not a guarantee of future performance and California Equity Research, LLC makes no guarantees, express or implied, as to future performance. California Equity Research, LLC, its directors and employees and their families may have a position in the securities of the companies described herein. Additional information is available upon request.

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