

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

JASON RINALDI, ET AL.,)
On Behalf of Themselves and All)
Others Similarly Situated,)
)
Plaintiffs,)
)
v.)
)
IOMEGA CORPORATION,)
)
Defendant.)

Civil Action No. 98C-09-064-RRC

NOTICE OF SUPPLEMENTED SETTLEMENT

TO: ALL PERSONS WHO PURCHASED AN IOMEGA ZIP® DRIVE AT RETAIL OR THROUGH AN AUTHORIZED IOMEGA ORIGINAL EQUIPMENT MANUFACTURER BETWEEN JANUARY 1, 1995 AND MARCH 19, 2001.

THIS NOTICE IS GIVEN TO INFORM YOU OF THE SUPPLEMENTED SETTLEMENT OF THIS CLASS ACTION. THIS NOTICE INCORPORATES THE TERMS OF THE ORIGINAL SETTLEMENT SET FORTH IN THE NOTICE OF PENDENCY OF CLASS ACTION AND HEARING ON PROPOSED SETTLEMENT, AVAILABLE FOR DOWNLOADING FROM IOMEGA'S WORLD WIDE WEB PAGE AT <http://www.iomega.com>.

PURSUANT TO THE SETTLEMENT APPROVED BY THE COURT, CERTAIN BENEFITS WILL BE AVAILABLE TO THE MEMBERS OF THE CLASS IN SETTLEMENT OF ALL CLAIMS FOR ALLEGED DAMAGE TO YOUR ZIP® DRIVE AND/OR ALLEGED LOSSES FROM THE CORRUPTION OR LOSS OF DATA AS A RESULT OF SUCH DAMAGE.

IF YOU PREVIOUSLY REQUESTED TO PARTICIPATE IN THE ORIGINAL SETTLEMENT, YOU ARE AUTOMATICALLY REGISTERED TO PARTICIPATE IN THE SUPPLEMENTED SETTLEMENT AND DO NOT NEED TO DO ANYTHING FURTHER.

IF YOU ARE A FORMER CLASS MEMBER WHO REQUESTED TO BE EXCLUDED FROM THE CLASS BY SUBMITTING A REQUEST FOR EXCLUSION, THIS NOTICE INFORMS YOU THAT YOU HAVE THE RIGHT TO REJOIN THE CLASS AND PARTICIPATE IN THE SETTLEMENT BY SUBMITTING A REQUEST FOR REBATE FORM USING IOMEGA'S WORLD WIDE WEB PAGE AT <http://www.iomega.com>.

THIS NOTICE CONCERNS YOUR LEGAL RIGHTS. PLEASE READ IT CAREFULLY. NOTHING IN THIS NOTICE SHOULD BE CONSTRUED AS AN EXPRESSION BY THE COURT ABOUT THE MERITS OF THIS LAWSUIT OR THE REVISED SETTLEMENT.

DEFINITIONS

For purposes of this Notice, the following terms have the meanings set forth below:

1. “Supplement” means the Supplement to Stipulation of Settlement and all exhibits attached thereto.
2. “Class” means all persons in the United States who, between January 1, 1995 and March 19, 2001, purchased at retail or through an authorized Iomega original equipment manufacturer an Iomega Zip® drive. Excluded from the Class are Iomega, any entity in which Iomega has a controlling interest, and any of Iomega's subsidiaries, affiliates, officers, directors, or employees.
3. “Class Claims” shall refer to any manner of action and causes of action, claims, suits, arbitrations, obligations, debts, demands, agreements, promises, liabilities, damages, judgments, decrees, controversies, costs and expenses, or attorneys fees, whether based on federal law, state law, common law or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or unaccrued, suspected or unsuspected (whether class or individual in nature), asserting claims for damage to Zip drives and/or losses resulting from the corruption or loss of data as a result of such damage or to other drives, which have been, ever could have been, or can hereafter be asserted by the Plaintiffs, or the Class Members, or any one of them, against Iomega or the Releasees, in connection with, arising out of, or relating in any way to (a) the Complaint, or (b) the acts, failures to act, omissions, misrepresentations, statements, misstatements, facts, events, transactions, occurrences, or other subject matters set forth, alleged, embraced, encompassed, or otherwise referred to in or underlying the Complaint, including, without limitation, any and all claims for violations of federal, state, common or other law arising from such subject matters. Class Claims do not include claims for personal injury or physical property damage (except that claims relating to physical damage to any disk or disk

drive are included). Class Claims also do not include any unexpired and otherwise valid express warranty claims which do not relate to the allegations in the Complaint.

4. “Class Member” means the Plaintiffs and any Person who fits within the definition of the Class (1) who did not file a valid and timely Request for Exclusion, or (2) filed a valid and timely Request for Exclusion and subsequently submits a request for rebate as provided in this Notice.

5. “Database” means the list of names and e-mail addresses of Class Members to whom e-mail notice was previously sent pertaining to the notice of the Original Settlement, excluding those names and addresses that were rejected because the name and/or address was outdated or otherwise not valid. The Database is estimated to currently contain approximately 760,000 names and addresses.

6. “Original Settlement” means the settlement approved by the Delaware Superior Court in its Letter Opinion dated June 29, 2001.

7. “Proof of Manifestation” means an affidavit or other written statement made under the penalties of perjury in a form to be mutually determined by Iomega’s Counsel and Class Counsel which sets forth the circumstances under which the Zip Drive purchased by a Class Member manifested a clicking problem resulting in damage to the Drive, to the media contained in the Drive, or to another drive.

8. “Releasees” means Iomega, and its present and former trustees, directors, agents, partners, principals, officers, employees, members, shareholders, attorneys, insurers, parents, subsidiaries, affiliates, divisions, and any predecessor or successor partnerships, corporations or entity, and any person or entity controlled by them or controlling them.

9. “Request for Exclusion” means a request by a person who fits within the definition of the Class to be excluded from the Class pursuant to Delaware Superior Court Civil Rule 23, as provided in the Original Settlement.

10. “Settlement Effective Date” means the date by which the Court’s approval of this settlement becomes final and all appeals, if any, have been exhausted.

11. “Stipulation” means the Stipulation of Settlement of Class Action dated March 19, 2001 and all exhibits attached thereto.

BACKGROUND AND DESCRIPTION OF THIS LITIGATION

1. On September 10, 1998, the Plaintiffs, on behalf of themselves and other similarly situated purchasers of Iomega’s Zip® Drive products, brought this class action lawsuit against Iomega Corporation (“Iomega”). The plaintiffs claim: (1) that the Zip® Drives contain a manufacturing and/or design defect that causes a “clicking” problem, and (2) that as a result of the alleged defect, users experience damage to the Zip® Drive, to the media contained on Zip® Disks inserted into the drives or to other drives into which the Zip® Disks are inserted. The Plaintiffs also claim that certain advertising statements about the Zip® Drives were misleading. The plaintiffs have asserted claims for violation of the Delaware Consumer Fraud Act, 6 Del. C. § 2511 et seq. (“DCFA”), negligent design and/or manufacture, breach of warranty, and breach of the duty to warn.

2. For the purposes of this settlement, the Court has entered an Order, which preliminarily determined that the Plaintiffs fairly and adequately represent the interests of the Class and are proper parties to assert these claims. The Class consists of all persons in the United States who purchased an Iomega Zip® Drive at retail or through an authorized Iomega original equipment manufacturer between January 1, 1995 and March 19, 2001. Excluded from the Class

are Iomega, any entity in which Iomega has a controlling interest, and any of Iomega's subsidiaries, affiliates, officers, directors or employees.

3. Counsel for the Class have made a thorough pre-filing and ongoing investigation of the law and facts relating to the allegations of the Complaint and the defenses likely to be asserted by Iomega. That investigation has included forensic deconstruction and testing of failed Zip® Drives, study of publicly-available information, consultation with drive technology experts, and review and analysis of hundreds of thousands of documents provided by Iomega.

4. Iomega denies any liability or wrongdoing which is alleged in the Complaint. Iomega has decided to enter into this settlement in order avoid the costs and burdens associated with continuing the litigation.

5. The Court has not ruled on the merits of the claims asserted by the plaintiffs in the Complaint.

6. On March 19, 2001, the parties submitted the Stipulation to the Superior Court requesting class certification and approval of the settlement of this litigation. On June 8, 2001, following notice to the Class, the Court held a hearing to consider final approval of the settlement. At the hearing, the Court considered the presentations of counsel for the Plaintiffs and Iomega in support of the settlement, as well as the presentation of Bruce L. Silverstein who filed an objection to the settlement. Immediately prior to the hearing, counsel for the Plaintiffs and Iomega agreed upon an additional benefit to the Class in the form of an enhancement of additional discount coupons (the "Enhancement"). Specifically, the Enhancement provides that if fewer than 1.2 million Class Members submitted timely and valid Requests for Rebate within 90 days after the settlement hearing, then Iomega will provide to each Class Member who makes a qualified purchase under the settlement an Enhancement coupon available in the following amounts for use on one of the following products:

- \$4 off on a purchase of a 2-pack of 100 MB Zip disks
- \$7 off on a purchase of a 3-pack of 100 MB Zip disks
- \$5 off on a purchase of a 2-pack of 250 MB Zip disks
- \$11 off on a purchase of a 4-pack of 250 MB Zip disks
- \$5 off on a purchase of a 1-pack of U250 MB Zip disks
- \$15 off on a purchase of a 3-pack of U250 MB Zip disks

The Enhancement coupon is redeemable for three months from the date of issuance for purchases made from Iomega's online store (www.iomegadirect.com). The Enhancement coupons are freely transferable but cannot be combined with any other Iomega promotion.

7. On June 29, 2001, the Court approved the settlement set forth in the Stipulation as modified by the Enhancement. In addition, the Court awarded Class Counsel an attorneys' fee and cost award of \$4.1 million.

8. On July 23, 2001, the objector, Mr. Silverstein ("Objector"), filed a notice of appeal from the Court's order approving settlement. Thereafter, the parties filed appellate briefs with the Delaware Supreme Court, which heard oral argument on the matter on December 18, 2001. On January 15, 2002, the Delaware Supreme Court remanded the matter to the Superior Court to make additional findings concerning the settlement as originally proposed. Thereafter, the parties agreed to the following supplement to the previously-approved settlement.

THE SUPPLEMENTED SETTLEMENT

1. In addition to the benefits described above and in the Original Settlement, under the Supplement, Class Members are entitled to receive the following:

a. Rebate Certificates

For any Class Member (1) who submitted a timely and valid Request for Rebate in the Original Settlement, or (2) who within thirty (30) days of the date this Notice is first published submits a Request for Rebate form using Iomega's World Wide Web page (<http://www.iomega.com>), with or without a valid Proof of Manifestation, Iomega shall issue (whether by mail or electronically at Iomega's option) within 120 days after the Settlement

Effective Date, at its expense, rebate information (in the form of a discount code for an instant rebate or a mail-in rebate certificate) that is appropriate to that Class Member's particular claim. This rebate will be valid for six months from the date of issuance and may be redeemed through Iomega's online store (www.iomegadirect.com) instantly, or through any authorized Iomega retail channel on purchases made after the Settlement Effective Date. Rebates hereunder may be combined with only one other valid, non-settlement coupon or rebate offered by Iomega on the applicable product. Rebates hereunder, however, may not be combined together. Rebate certificates are transferable.

Each Class Member who submits a Request for Rebate along with a valid Proof of Manifestation shall receive a rebate certificate or instant rebate code entitling the Class Member to a rebate of the listed amount on one of the following purchases made after the Settlement Effective Date:

- \$17.50 toward the purchase of a Zip® 250 Drive; or
- \$12.50 toward the purchase of a Zip® 100 Drive; or
- \$40.00 toward the purchase of a Zip® 250 Drive and a 6 pack of Zip® 250 disks; or
- \$27.50 toward the purchase of a Zip® 100 Drive and a 6 pack of Zip® 100 disks; or
- \$17.50 toward the purchase of six Zip® 250 disks; or
- \$12.50 toward the purchase of six Zip® 100 disks; or
- \$12.50 toward the purchase of a Pocket Zip® – PC Drive; or
- \$35.00 toward the purchase of a Pocket Zip® – PC Drive and a 10 pack of Pocket Zip® media; or
- \$22.50 toward the purchase of a Pocket Zip® – PC Drive and a 4 pack of Pocket Zip® media; or
- \$30.00 toward the purchase of a Peerless 10gb bundle (SKU 31772 and 31767); or
- \$35.00 toward the purchase of a Peerless 20gb bundle (SKU 31744 and 31768); or
- \$15.00 toward the purchase of a CDRW Universal Form Factor (SKU 31475 and 32211);
or
- \$20.00 toward the purchase of a CDRW Small Form Factor (SKU 31119 and 32214).

Each Class Member who submits a Request for Rebate, but without a valid Proof of Manifestation, shall receive a rebate certificate or instant rebate code entitling the Class Member

to a rebate of the listed amount on one of the following purchases made after the Settlement

Effective Date:

- \$10.00 toward the purchase of a Zip® 250 Drive; or
- \$5.00 toward the purchase of a Zip® 100 Drive; or
- \$25.00 toward the purchase of a Zip® 250 Drive and a 6 pack of Zip® 250 disks; or
- \$12.50 toward the purchase of a Zip® 100 Drive and a 6 pack of Zip® 100 disks; or
- \$10.00 toward the purchase of six Zip® 250 disks; or
- \$5.00 toward the purchase of six Zip® 100 disks; or
- \$5.00 toward the purchase of a Pocket Zip® – PC Drive; or
- \$17.50 toward the purchase of a Pocket Zip® – PC Drive and a 10 pack of Pocket Zip® media; or
- \$10.00 toward the purchase of a Pocket Zip® – PC Drive and a 4 pack of Pocket Zip® media; or
- \$15.00 toward the purchase of a Peerless 10gb bundle (SKU 31772 and 31767); or
- \$20.00 toward the purchase of a Peerless 20gb bundle (SKU 31774 and 31768); or
- \$7.50 toward the purchase of a CDRW Universal Form Factor (SKU 31475 and 32211);
or
- \$12.50 toward the purchase of a CDRW Small Form Factor (SKU 31119 and 32214).

At the conclusion of the thirty (30) day rebate request period referenced above, if fewer than 1.2 million Requests for Rebates have been submitted to Iomega, then Iomega will send to each Class Member who requested a rebate under the settlement, an Enhancement coupon available in the following amounts for use on one of the following products:

- \$4 off on a purchase of a 2-pack of 100 MB Zip disks
- \$7 off on a purchase of a 3-pack of 100 MB Zip disks
- \$5 off on a purchase of a 2-pack of 250 MB Zip disks
- \$11 off on a purchase of a 4-pack of 250 MB Zip disks
- \$5 off on a purchase of a 1-pack of U250 MB Zip disks
- \$15 off on a purchase of a 3-pack of U250 MB Zip disks

The Enhancement coupon is redeemable for three months from its date of issuance for purchases made from Iomega's online store, IomegaDirect (<http://www.iomegadirect.com>). The Enhancement coupons are freely transferable but cannot be combined with any other Iomega promotion. In addition, if the value of the total number of rebate requests is less than \$5 million, then Iomega will issue by e-mail one time only an additional discount coupon to all Class Members listed in Iomega's Database ("Remainder Discount"). This Remainder Discount will

be emailed within fifteen (15) days after the conclusion of the claim period referenced above and will be redeemable for sixty (60) days from the date of issue, toward the purchase of a 5-pack or more of Zip disks on IomegaDirect. Class Members who are not listed in Iomega's Database and therefore do not receive an e-mail issuing a Remainder Discount shall be entitled, for one time only and upon attestation of membership in the Class, to claim a Remainder Discount on a 5-pack or more of Zip disks by accessing <http://www.iomegadirect.com>. The Remainder Discount is freely transferable and can be combined with one other valid, Iomega non-settlement coupon, rebate or discount offered on the applicable product. Remainder Discounts, however, cannot be combined together or with any other rebate, coupon, or discount offered hereunder.

b. Technical Assistance

For the period running from the Settlement Effective Date to ten months after the Settlement Effective Date, Iomega shall make available dedicated technical service personnel to address inquiries regarding "clicking" problems with any Zip® Drives. Such personnel will be made available to customers free of charge during the normal hours of operation of Iomega's technical support by means of a direct link option from Iomega's technical support call menu. Iomega's technical support telephone number is: 1-800-697-8833.

c. Charitable Donation

Iomega shall make a donation of Zip® Drives, accompanying disks, related services, and software with a total retail value of one million dollars (\$1,000,000.00) to schools, K-12, pursuant to a program to be mutually determined by Iomega and Class Counsel. Approximately 50% of said retail value shall be allocated to Zip® Drives, 1% to accompanying disks, 12% to related services, and 37% to the software package ordinarily provided by Iomega to schools under its charitable program. Iomega shall have one year from the Settlement Effective Date in which to complete the donations provided for in this paragraph.

d. Cash Payment

In addition, Iomega shall pay to the Class in settlement of the Class Claims an amount of \$4.1 million, or such lesser amount that the Court may approve, which amount shall be designated for Class Counsel's reasonable attorneys' fees and expenses.

2. Based on the discovery conducted to date and their overall investigation in pursuit of their claims, as well as substantial arms-length negotiations between counsel, and considering the benefits of the revised settlement to the Class and the risks associated with further litigation (including the uncertainty of trial and the delay associated with any appeal), the Plaintiffs, Class Counsel and Objector have concluded that the supplemented settlement is fair, reasonable, and adequate. Based upon these considerations, the Plaintiffs, Class Counsel and Objector have concluded that it is in the best interests of the Plaintiffs and the Class to settle the claims asserted in this lawsuit on the terms and conditions agreed upon in the supplemented settlement.

3. The supplemented settlement provides significant benefits to the Plaintiffs and the Class and eliminates the burden and expense of further litigation and the risk that nothing would be recovered for the Plaintiffs and the Class if the case went to judgment, and it finally puts to rest the claims of the Plaintiffs individually and on behalf of the Class that were or could have been made against Iomega in this action.

a. The supplemented settlement becomes effective when the conditions of the Supplement to Stipulation of Settlement are met and the Court's May 9, 2002 entry of judgment approving the settlement (the "Revised Final Judgment and Order of Dismissal") becomes final in that the Revised Final Judgment and Order of Dismissal is affirmed, if there is any appeal, or is no longer subject to appeal.

- b. **Once the supplemented settlement is final, all Class Members will be deemed to have released and discharged all Class Claims, including claims for damage to the Zip® Drives and/or losses from the corruption or loss of data as a result of such damage, against the Releasees, and shall be barred from asserting any Class Claims against the Releasees.**

4. The Plaintiffs and the Class have been represented in this litigation by the following law firms ("Class Counsel"):

Sanford P. Dumain, Esq.
Lee A. Weiss, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
One Pennsylvania Plaza
New York, New York 10119

Michael C. Dodge, Esq.
Dodge Fazio Anderson & Jones, P.C.
One Lincoln Center
5400 LBJ Freeway
Suite 800
Dallas, Texas 75240

Jeffrey S. Goddess, Esq.
Rosenthal Monhait Gross & Goddess, P.A.
Suite 1401
Mellon Bank Center
P.O. Box 1070
Wilmington, Delaware 19899-1070

Robert I. Lax, Esq.
Robert I. Lax & Associates
Attorneys and Counselors at Law
535 Fifth Avenue, 21st Floor
New York, New York 10017

5. The Objector has been represented in this litigation by the following law firm:

Bruce L. Silverstein, Esq.
Young Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor

Wilmington, DE 19899-0391

YOUR CHOICES AS A CLASS MEMBER

If you are a member of the Class, as defined above, and you wish to participate in the revised settlement, you may submit a Request for Rebate by completing the applicable forms on-line at www.iomega.com beginning on the date of publication of this Notice and until thirty (30) days thereafter.

If you are a Class Member who previously requested to participate in the Original Settlement, you are automatically registered to participate in the supplemented settlement and do not need to do anything further.

If you are a member of the Class who formerly requested to be excluded from the Class by previously submitting a Request for Exclusion, you may rejoin the Class by submitting a request for rebate form using Iomega's World Wide Web page, <http://www.iomega.com>.

EXAMINATION OF PAPERS

This is only a summary of the circumstances surrounding the lawsuit, the claims and defenses asserted, the supplemented settlement, and the matters related to the lawsuit. For more detailed information you may review the Supplement to Stipulation of Settlement and related documents and other papers on file in the litigation, which may be inspected during regular business hours at the office of the Prothonotary, Superior Court of the State of Delaware, in and for New Castle County. If you have any questions about this Notice, the settlement, or the

lawsuit generally, you should direct them to:

Sanford P. Dumain, Esq.
Lee A. Weiss, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
P.O. Box 3171
Farley Post Office
New York, New York 10001

PLEASE DO NOT CALL THE COURT.

/s/ Sharon Agnew
Prothonotary

Dated: May 8, 2002