



**STRATEGIC ADVISORY
SERVICES INTERNATIONAL, LLC**

SASI Storage Market Overview First Quarter, 2007

Outline

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- 2006 Storage M&A Review
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- Team Profiles

Storage Outlook

Leading storage OEMs will get bigger with large consolidation deals and smaller product acquisitions:

M&A will remain active through 2007 due to:

- Too many large to mid-size players chasing the same set of customers
- A mature storage market dictates top line growth through M&A
- Storage start-ups with compelling products and initial market traction finding motivated buyers
- Macroeconomic factors looking favorable for continued M&A activity

Information Lifecycle Management (ILM) hype slowly becoming reality:

The concept of managing data from a lifecycle perspective and matching the appropriate storage resources to specific lifecycle stages will generally receive a positive response from potential customers. However, the market acceptance and implementation of these intuitive concepts is another story. Factors that will likely inhibit ILM include:

- Lack of agreed upon definition and solution set for ILM
- Lack of standardization in existing storage environments
- Few proven data knowledge/classification solutions
- Customer skepticism and lack of a clear and proven return on investment model

Open source storage management initiatives, remaining just that, initiatives:

IBM's Aperi and SNIA's SMI-S initiatives will continue to move slowly in 2007 as storage incumbents have little to gain and much to lose. Beyond 2007, any successful drive towards interoperability will come from the ultimate powers players, the customers.

Storage Outlook

Disk-based back-up gaining more momentum with tape pushed into archiving role:

As with most new storage architectures and related technologies, it has taken a couple of years but disk-based back-up and the related concept of disk-to-disk-to-tape will continue to see increased customer adoption. Disk-based back-up value proposition of shorter recovery and back-up times, lower cost of ownership, easier management, and solid technology roadmap are winning customers. Tape's position as the low cost solution for archiving remains in tact for the foreseeable future.

Convergence of storage, security and networking:

Driven by the end user's desire for simple, integrated data protection solutions, storage, security and networking companies are looking at each other for answers. While still early in development, there have been a number of deals that point to this convergence:

- EMC acquisition of Network Intelligence in 2006
- Iomega acquisition of CSCI in 2006
- EMC acquisition of RSA Security in 2006
- Sonicwall's acquisition of Lasso Logic in 2005
- Network Appliance acquisition of Decru in 2005
- Cisco acquisition of Topspin in 2005
- Symantec merger with Veritas in 2004

Disruption will likely come from outside the storage industry beyond 2007:

Storage's position as an island in the IT architecture is coming under attack from security, networking, enterprise software and system players that see their role as enabling enterprises to better utilize, manage and protect their information. This is also an opportunity for storage companies that have a broader vision and the leadership to act on it.

2006 Storage M&A Review

2006 was a strong year for storage related M&A with a total of 56 announced transactions totaling 9.7 billion in consideration...

- Q4 2006 slowed to 9 announced transactions, down from 17 deals in Q3, 14 in Q2 and 16 in Q1
- For the 56 transactions, the median deal size was \$63M with a price to revenue median of roughly 5x
- There were 35 technology focused transactions with a median deal size of \$50M and a median price to revenue of roughly 8x
- The remaining 21 transactions were business focused with median deal size of \$521M and a price to revenue multiple of roughly 2x
- SASI defines technology focused deals as mainly strategic deals whereby an enabling technology holds great promise for market disruption and revenue but has little proof to date of that promise. Conversely, a business focused transaction tends to be more tactical and opportunistic with financial metrics and known market metrics driving deal consideration.

2007 Storage M&A Drivers

- While there has been consolidation among leading storage OEM's and system providers, there is still room (and pressure) for further consolidation
- SME's to large enterprise customers are demanding integrated IT solutions that solve data protection, management, and availability
- The mature stage of the storage market dictates growth through acquisition
- Continued margin compression in the storage industry also drives M&A as companies seek to innovate products quickly through M&A
- Go-to-market challenges facing start-ups drives partnerships with large OEM's which then leads to M&A
- Macro economic factors look favorable for continued M&A activity

SASI Overview

SASI Overview

SASI is a boutique M&A advisory firm focused on serving investors and entrepreneurs in the storage industry. We represent leading venture backed private companies who are exploring strategic M&A options.

SASI was founded on the belief that stakeholders in private companies have a need for a new class of M&A advisor. They require a banker that brings not only transaction and financial expertise but also has intimate knowledge of the industry, the strategic buyers and the customer, technology, competitive trends shaping the industry.

SASI Core Competencies

M&A Process

Negotiation

Valuation Analysis

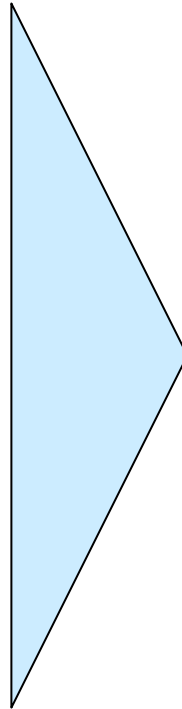
Strategic Planning

Market & Competitive Research

Storage Industry Expertise:

- Strategic Buyer Relationships
- M&A Database & Trends
- Market & Competitive Trends
- Comprehension of Key Technologies

Provide an Integrated Approach to Sellside M&A



With the following benefits

Highest likelihood of creating a competitive bidding situation with a successful outcome due to:

Targeting: SASI is able to quickly identify A list buyers, avoiding wasted calls and meetings

Timing: SASI tracks M&A windows by storage sector and is able to advise on the optimal timing for maximum deal value

Positioning: Each possible buyer has a unique set of characteristics and reasons for acquiring the target. SASI understands this and tailors the messaging to each buyer.

Negotiating: In depth knowledge of the buyers and the industry positions SASI with insights that are critical to a successful negotiation

Efficiency: Knowledge of the industry helps avoid “teaching the banker”

Contacts: SASI knows the leading acquirers and has built solid relationships over the last 10 years

Service Offerings

STRATEGIC ADVISORY SERVICES INTERNATIONAL, LLC

Strategic Partnering Services

SASI selectively works with leading private companies in an outsourced business development role. SASI offers:

- Strategic private placements
- Strategic audit, business plan review and partnering strategy
- Partner identification, screening and selection
- Driving partnering process from initial approach through negotiations and signing of an agreement
- Strategic partnering agreements tend to cover OEM, licensing, joint marketing, joint development and strategic investments

Mergers and Acquisition Advisory Services

Buyside and Sellside M&A support covering:

- Initial strategy and business assessment
- M&A strategy and timing considerations
- Identification, screening and selection of targets
- Preparation of offering memorandum and valuation analysis for sellside clients
- Approach methodology and driving daily process
- Negotiations and due diligence processes
- Driving to definitive agreement, Board of Directors approval and closing

409A Valuation Services

409A Fair Market Valuations for private, venture-backed companies covering:

- Data collection and analysis
- 4-pronged approach to valuation: Analysis of publicly traded companies, M&A transaction analysis, venture capital financing analysis and discounted cash flow analysis
- Final Valuation Report - Conclusion of the fair market value, equity allocation of a company's fair market value
- Fair market value of the company's common stock

Areas of Market Expertise

**The Digital
Networked Home**

**DVR/PVR Market &
Interactive TV**

**Emerging IT Appliances &
Related Services**

**Alternative Broadband Technologies and
Emerging Business Opportunities**

Convergence of Networking, Storage and Security

**Information Security with a Focus on Emerging Multifunction Appliances
and Disruptive Business Models**

**Aerospace
& Defense**

Storage Systems, Sub-systems, Software And Services

(M&A Focus Area)

IT Services

Consumer

SOHO

Small Business

Medium Business

Enterprise

Government

Selected Storage Industry Buyer Relationships

SASI is currently in discussions with or has worked with following selected strategic buyers...

Industry leaders



EMS/CM/ODM/Array Players



Switch & Tape Players



Semiconductor & Others



John Rotchford Profile



John Rotchford, Managing Director

Prior to founding Strategic Advisory Services International, LLC in May of 2005, John co-managed the storage practice area and opened the Southern California office for SVB Alliant, the investment banking division of Silicon Valley Bank. John is a 15-year technology industry veteran with a unique blend of investment banking, strategy consulting, corporate development and start-up experience. At Iomega, John was responsible for strategic planning, M&A and new investment activities. Before Iomega, John handled public and private sell-side transactions at Broadview International LLC and focused on enabling broadband technologies, digital networked appliances, information security, semiconductors and storage systems. Prior to Broadview, John was director of corporate development at Compaq where he managed strategy projects covering broadband communications, the digital networked home, Internet services, and corporate direction. At Compaq, he was also active in M&A including the Tandem Computer and Digital Equipment Corporation mergers. John spent the first part of his career at an aerospace and defense management consulting start-up that was acquired by Electronic Data Systems. John earned a B.S. in Finance and Accounting from Babson College.

Storage M&A experience includes:

- Sellside engagement of a private storage software company
- Sellside engagement of storage systems business
- Buyside engagement exploring a storage systems acquisition
- Seagate acquisition of Mirra
- EMC acquisition of Maranti
- Public company divestment of storage software business
- Storage market overview with M&A trends
- Iomega M&A strategy resulting in the investment in ByteTaxi and sale of DCT IP
- Compaq merger with Digital Equipment

John Rotchford Profile

Selected M&A Experience:

Date	Buyer	Seller	Price	Role
2006	Not Disclosed	Storage software company	Pending	Lead Manager
2006	Not Disclosed	Embedded software company	Pending	Lead Manager
2005	Seagate	Mirra	ND	Lead Manager
2005	EMC	Maranti	ND	Lead Manager
2005	Iomega	ByteTaxi	Minority Inv.	Strategic Support
2004	Not Disclosed	Iomega DCT IP	\$14M	Strategic Support
2003	Crane Co.	Signal Technology Corp.	\$194M	Advisor to BoD Member
2001	Activcard, Inc.	Authentic8, Inc.	ND	Lead Manager
2001	Public Media Company	Digital Media IP Company	ND	Lead Manager
2000	Microchip Technology, Inc.	Telcom Semiconductor, Inc.	\$300M	Co-Manager
1998	Compaq Computer Corp.	Digital Equipment Corp.	\$9.6B	Due Diligence & Integration
1997	Compaq Computer Corp.	Tandem Computers, Inc.	\$2.6B	Strategy & Integration
1996	Signal Technology Corp.	APS Corp.	ND	Due Diligence & Valuation

Selected Strategy Experience:

Date	Selected Projects
2005	Market Analysis and Strategies for Emerging IT Appliances
2004	Networked Attached Storage Market Assessment and Strategy Formulation
2004	The Convergence of Networking, Storage and Security - Opportunities, Scenarios, & Strategies
2003	Assessment of the Information Security Market with Opportunities for Disruption
2003	Storage Market Assessment with Identified Opportunities and Related Strategies
2002	Assessment of Emerging Storage Technologies with End State Scenarios and Investment Recommendations
2002	Digital Imaging: Business Model Development and Strategic Assessment
2001	Interactive TV Market Perspective, Trends and Forecast
1996 to 2000	IT and Telecom: Global Broadband Market Study and Entry Strategies - Broadband Satellite Business Plan - Digital Video Recorder Market Analysis, Strategies and Partnerships - The Future of Digital Appliances and the Networked Home - IT Services Market Analysis and Strategy - PDA Market Assessment and Strategy - Market Analysis of Digital Media ICs and
1990 to 1995	Aerospace & Defense: GPS Market Segmentation, Forecast and Market Entry Strategies - Global Terminal Area Radar Market Assessment and Strategy - Commercial and Military Avionics Market Report

Christine Tosney Profile

Christine Tosney, Principal

Christine joined SASI in October, 2005 with over 13 years of market and competitive research experience covering a broad range of IT areas such as information security, enterprise software and personal computing. Prior to joining SASI, Christine was head of market research and competitive intelligence at Sonicwall, a leading provider of security solutions to small and medium businesses. She also spent two years at Ensim, a leading provider of hosting automation software. Prior to Ensim, Christine spent seven years in a variety of market research roles. She spent two years at Compaq Computer Corporation in market intelligence with a focus on competitive intelligence, market segmentation and sizing, and trend and database analysis. Christine started her career at Management Ventures, a market research based consulting firm specializing in the Consumer Packaged Goods Industry. She led all phases of primary and secondary research engagements at Management Ventures. Christine has a B.S. in Finance from Babson College, Wellesley, MA

Market Experience:

Selected Projects

- VPN/Firewall Market Sizing and Segmentation
- Information Security Competitive Landscape with SWOT Analysis
- Brand Awareness Study
- Primary Security Product Research (pricing, features, positioning)
- ISP, ASP, Telco Customer Segmentation Study
- Global Market Sizing and Segmentation of IT Hardware (PC's, Servers, Peripherals, etc.)
- Small and Medium Business PC and Server Segmentation Study
- Competitive Analysis of Dell, IBM and HP Manufacturing Strategies
- Strategies and Tactics to Compete and Win against Dell
- Competitive Analysis of Dell, IBM, and HP Global Account Programs
- Dell's Strategic Initiatives to Maintain Double Digit Growth
- SWOT: Kmart, Target Wal-Mart
- Becoming a Wal-Mart, Target and Kmart Preferred Vendor
- Customer Satisfaction Studies: IRI, Kraft, Kmart, Frito Lay