

performance. The targets for 2007 were as follows (dollars in millions): 50% Threshold: revenue: \$1,753.1, operating income: \$118.5, cash flow \$105.9; 100% Target: revenue: \$1,853.1, operating income: \$130.0, cash flow \$117.4; 150% Maximum: revenue: \$1,953.1, operating income: \$141.5, cash flow \$128.9. The 2007 ABP weighted these three targets as follows: operating income 50%, revenue 25%, and cash flow 25%. Imation must achieve the threshold level of operating income before any payout is made under the ABP. If the threshold level of operating income is met, then each target is reviewed individually to determine what performance percentage was reached, which is then multiplied by the weighting for each target to determine the total bonus payout. At threshold performance for each factor, a 50% payout of each employee's annual targeted bonus-percentage would be payable and at the maximum performance for each factor 150% would be payable. Based on performance against each factor, if bonuses are paid, bonuses can be payable at any percentages between 50% and 150%. These performance-based annual bonuses can be highly variable from year to year and are typically based on the base salary and bonus percentage in effect for each individual as of December 31. A bonus level for an individual can change based on a promotion during the year, and for executive officers, the bonus percentage may be prorated based on the date of promotion.

For 2007, the named executive officers could earn cash bonuses up to the following amounts:

<u>Executive Officer</u>	<u>Bonus at Threshold Performance Level (50% of Target)</u>	<u>Bonus at Target Performance Level</u>	<u>Bonus at Maximum Performance Level (150% of Target)</u>
Frank P. Russomanno <sup>(1)</sup>	42.5% of Base Salary	85% of Base Salary	127.5% of Base Salary
Bruce A. Henderson <sup>(2)</sup>	50% of Base Salary	100% of Base Salary	150% of Base Salary
Paul R. Zeller	30% of Base Salary	60% of Base Salary	90% of Base Salary
Jacqueline A. Chase	25% of Base Salary	50% of Base Salary	75% of Base Salary
Subodh K. Kulkarni	25% of Base Salary	50% of Base Salary	75% of Base Salary
John L. Sullivan	25% of Base Salary	50% of Base Salary	75% of Base Salary

(1) Mr. Russomanno's bonus target was put in place when he was named Acting CEO in November 2006 and was not adjusted in 2007. See "2007 Compensation"

(2) Mr. Henderson was eligible for a prorated portion of any bonus payable for the period January 1, 2007 to May 13, 2007, when he went on long-term disability. See "Employment, Employment Closure and Severance Agreements-Employment and Employment Closure Agreement with Mr. Henderson."

For 2007, Imation's performance was below the threshold target with respect to our operating income and therefore we did not pay out any bonuses under our ABP to the named executive officers.

*Long-Term Equity:* We believe that equity compensation is the most effective means of creating a long-term link between the compensation provided to executive officers and the interests of shareholders. As Imation continues its transformation to a brand and product management company, the Committee believes that it is even more critical to ensure long-term motivation for its executive officers. Our long-term equity compensation consists of a combination of non-qualified stock options and shares of restricted stock.

Our standard stock option awards vest 25% on each anniversary of the grant and have a term of ten years from grant date. Stock options provide a return to the employee if he or she remains an Imation employee until the options have vested, and then only if the market value of the stock appreciates over the term of the option. Our standard restricted stock grants also typically vest 25% per year over a four-year period. Restricted stock provides a return to the employee only if he or she remains an Imation employee until the restricted stock has vested, and can provide additional returns if the market value of the stock appreciates over the price at the grant date. Restricted stock can also depreciate from the value calculated at the grant date if the price at vesting is less than the price at the grant date.