

SECURITIES AND EXCHANGE COMMISSION

FORM 10-12B/A

Initial general form for registration of a class of securities pursuant to Section 12(b) [amend]

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FILER

IMATION CORP

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10/A
AMENDMENT NO. 4

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(B) OR (G) OF
THE SECURITIES EXCHANGE ACT OF 1934

IMATION CORP.

(Formerly known as 3M Information Processing, Inc.)
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

41-1838504
(I.R.S. Employer Identification No.)

1 IMATION PLACE
OAKDALE, MINNESOTA
(Address of principal executive offices)

55128
(Zip Code)

(612) 704-4000
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
Common Stock, par value \$.01 per share	New York Stock Exchange, Inc.; Chicago Stock Exchange, Incorporated
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.; Chicago Stock Exchange, Incorporated

Securities to be registered pursuant to Section 12(g) of the Act:
None

IMATION CORP.

INFORMATION REQUIRED IN REGISTRATION STATEMENT
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT
AND ITEMS OF FORM 10

<TABLE> <CAPTION> ITEM NO. <S>	CAPTION	LOCATION IN INFORMATION STATEMENT
Item 1.	Business	SUMMARY; INTRODUCTION; THE DISTRIBUTION; SPECIAL FACTORS; MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; BUSINESS AND PROPERTIES OF THE COMPANY; HISTORICAL FINANCIAL STATEMENTS
Item 2.	Financial Information	SUMMARY; SPECIAL FACTORS; PRO FORMA CAPITALIZATION; PRO FORMA FINANCIAL STATEMENTS; SELECTED HISTORICAL FINANCIAL DATA; MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; HISTORICAL FINANCIAL STATEMENTS
Item 3.	Properties	BUSINESS AND PROPERTIES OF THE COMPANY
Item 4.	Security Ownership of Certain Beneficial Owners and Management	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS; BENEFICIAL OWNERSHIP OF MANAGEMENT
Item 5.	Directors and Executive Officers	MANAGEMENT OF THE COMPANY; LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS
Item 6.	Executive Compensation	MANAGEMENT OF THE COMPANY; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
Item 7.	Certain Relationships and Related Transactions	SUMMARY; THE DISTRIBUTION; RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION; MANAGEMENT OF THE COMPANY; CERTAIN RELATIONSHIPS AND TRANSACTIONS
Item 8.	Legal Proceedings	BUSINESS AND PROPERTIES OF THE COMPANY
Item 9.	Market Price of and Dividends on the Registrant's Common Equity	

	and Related Stockholder Matters	SUMMARY; THE DISTRIBUTION; SPECIAL FACTORS; MANAGEMENT OF THE COMPANY; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS; BENEFICIAL OWNERSHIP OF MANAGEMENT; DESCRIPTION OF COMPANY CAPITAL STOCK
Item 10.	Recent Sales of Unregistered Securities	Not Applicable
Item 11.	Description of Registrant's Securities to be Registered	DESCRIPTION OF COMPANY CAPITAL STOCK; PURPOSES AND EFFECTS OF CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BYLAWS
Item 12.	Indemnification of Directors and Officers	LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS
Item 13.	Financial Statements and Supplementary Data	SUMMARY; PRO FORMA FINANCIAL STATEMENTS; SELECTED HISTORICAL FINANCIAL DATA; MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; HISTORICAL FINANCIAL STATEMENTS
Item 14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not Applicable

</TABLE>

INFORMATION STATEMENT

IMATION CORP.

COMMON STOCK
PAR VALUE \$.01 PER SHARE

This Information Statement is being furnished in connection with the distribution (the "Distribution") by Minnesota Mining and Manufacturing Company ("3M") to holders of record of 3M common stock at the close of business on June 28, 1996 (the "Record Date"), of one share of Common Stock, par value \$.01 per share (the "Common Stock"), of Imation Corp. (the "Company") for every ten shares of 3M common stock owned on the Record Date. The Distribution will result in 100% of the outstanding shares of Common Stock of the Company being distributed to holders of 3M common stock on a pro rata basis. The Distribution will be effective on July 1, 1996 (the "Distribution Date"). It is expected that certificates representing shares of Common Stock will be mailed to 3M stockholders on or about July 15, 1996.

The Company is a newly formed company which, as a result of transactions entered into in connection with the Distribution, will own substantially all of the businesses and assets of, and will be responsible for substantially all of the liabilities associated with, 3M's global data storage and imaging systems businesses, as more fully described herein (the "Transferred Businesses").

No consideration will be paid by 3M's stockholders for the shares of Common Stock. There is no current public trading market for the shares of Common Stock, although it is expected that a "when-issued" trading market will develop on or about the Record Date. The shares of Common Stock have been approved for listing on the New York Stock Exchange and the Chicago Stock Exchange, subject to official notice of issuance, under the symbol "IMN".

IN REVIEWING THIS INFORMATION STATEMENT, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DESCRIBED UNDER THE CAPTION "SPECIAL FACTORS."

NO VOTE OF STOCKHOLDERS IS REQUIRED IN CONNECTION WITH THIS DISTRIBUTION. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Information Statement is June 21, 1996.

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SUMMARY

THE FOLLOWING IS A SUMMARY OF CERTAIN INFORMATION CONTAINED ELSEWHERE IN THIS INFORMATION STATEMENT. REFERENCE IS MADE TO, AND THIS SUMMARY IS QUALIFIED BY, THE MORE DETAILED INFORMATION SET FORTH IN THIS INFORMATION STATEMENT, WHICH SHOULD BE READ IN ITS ENTIRETY. UNLESS THE CONTEXT OTHERWISE REQUIRES, (I) REFERENCES IN THIS INFORMATION STATEMENT TO 3M AND THE COMPANY SHALL INCLUDE 3M'S AND THE COMPANY'S RESPECTIVE SUBSIDIARIES AND (II) REFERENCES IN THIS INFORMATION STATEMENT TO THE COMPANY PRIOR TO THE DISTRIBUTION DATE SHALL REFER TO THE TRANSFERRED BUSINESSES AS OPERATED BY 3M.

DISTRIBUTING CORPORATION Minnesota Mining and Manufacturing Company, a Delaware corporation ("3M").

DISTRIBUTED CORPORATION Imation Corp., a newly formed Delaware corporation (the "Company") which, as of the Distribution Date, will have transferred to it substantially all of the businesses and assets of, and will be responsible for substantially all of the liabilities associated with, 3M's global data storage and imaging systems businesses, as more fully described herein (the "Transferred Businesses").

PRINCIPAL BUSINESSES TO BE RETAINED BY 3M 3M will retain its core businesses, consisting of all of its current businesses other than the Transferred Businesses (the "Core Businesses"). 3M has announced that its consumer audio and video tape business, which is not part of the Transferred Businesses, will be discontinued.

PRIMARY PURPOSE OF THE DISTRIBUTION To separate the Transferred Businesses from the Core Businesses so that each can (i) adopt strategies and pursue objectives appropriate to its specific businesses and industries and thereby achieve, among other things, potential cost savings, (ii) implement more focused incentive compensation arrangements that are tied more directly to results of its operations and (iii) be recognized by the financial community as separate and distinct businesses.

SHARES TO BE DISTRIBUTED Approximately 41,863,000 shares of Common Stock, based on the shares of 3M common stock outstanding on May 1, 1996. The shares to be distributed will constitute 100% of the outstanding shares of Common Stock of the Company on the Distribution Date.

DISTRIBUTION RATIO Each 3M stockholder will receive one share of Common Stock of the Company for every ten shares of 3M common stock held on the Record Date.

FRACTIONAL SHARE INTERESTS Fractional share interests will be sold by the

Distribution Agent and the cash proceeds distributed to those stockholders entitled to a fractional interest. See "THE DISTRIBUTION -- Manner of Effecting the Distribution."

LISTING AND TRADING
MARKET

The shares of Common Stock have been approved for listing on the New York Stock Exchange and the Chicago Stock Exchange, subject to official notice of issuance, under the symbol "IMN."

RECORD DATE

Close of business on June 28, 1996.

DISTRIBUTION DATE

July 1, 1996. As of the Distribution Date, the transfer of substantially all of the assets and liabilities of the Transferred Businesses from 3M to the Company will become effective and the shares of Common Stock to be distributed will be delivered to the Distribution Agent for distribution to holders of 3M common stock.

MAILING DATE

Certificates representing the shares of Common Stock will be mailed to 3M stockholders on or about July 15, 1996.

DISTRIBUTION AGENT

Norwest Bank Minnesota, N.A. (the "Distribution Agent").

TAX CONSEQUENCES

The Distribution is expected to qualify as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"). See "THE DISTRIBUTION -- Certain Federal Income Tax Consequences."

DIVIDEND POLICY

The payment and amount of cash dividends on the Common Stock after the Distribution will be at the discretion of the Company's Board of Directors. The Company's dividend policy will be reviewed by the Company's Board of Directors at such future times as may be appropriate, and payment of dividends will depend upon the Company's financial position, capital requirements and such other factors as the Company's Board of Directors deems relevant.

RELATIONSHIP WITH 3M AFTER THE
DISTRIBUTION

Following the Distribution, 3M and the Company will be operated as independent public companies. 3M and the Company will, however, continue to have a relationship as a result of the agreements being entered into between 3M and the Company in connection with the Distribution, including the Transfer and Distribution Agreement, the Tax Sharing and Indemnification Agreement, the Corporate Services Transition Agreement, the Environmental Matters Agreement, the Intellectual Property Rights Agreement, the Supply Agreements and other miscellaneous agreements. Except as referred to above or as otherwise described herein, 3M and the Company will cease to have any material contractual or other material relationships with each other. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION," "FINANCING," "PRO FORMA CAPITALIZATION" and "MANAGEMENT OF THE COMPANY -- Directors."

SPECIAL FACTORS

Stockholders should carefully consider the matters discussed under the section entitled "SPECIAL FACTORS" in this Information Statement.

THE COMPANY

The Company is a leader in developing, manufacturing and marketing a wide variety of products and services worldwide for data storage and imaging applications within the information processing industry. The Company's products, which number in excess of 10,000, are used to capture, process, store, reproduce and distribute information and images in a wide range of information-intensive markets, including enterprise computing, network servers, personal computing, graphic arts, photographic imaging, medical imaging, and commercial and consumer markets. See "BUSINESS AND PROPERTIES OF THE COMPANY."

The breadth of the Company's product lines, the Company's worldwide leadership position in a number of product classes and its global distribution network serve to differentiate the Company from its competitors. In 1995, the Company had revenues of \$2.2 billion, with approximately half of its revenues derived internationally. The Company's major products, classified by customer application, are shown below and are described in more detail under "BUSINESS AND PROPERTIES OF THE COMPANY -- Customer Applications."

<TABLE> <CAPTION> INFORMATION PROCESSING, MANAGEMENT AND STORAGE APPLICATIONS -----	INFORMATION PRINTING APPLICATIONS -----	MEDICAL AND PHOTO IMAGING APPLICATIONS -----
<S>	<C>	<C>
* Computer diskettes	* Conventional color proofing	* Laser imaging products
* Data cartridges and Travan(tm) cartridges	* Digital color proofing	* Laser imagers
* Computer tapes	* Printing plates	* X-ray film
* Rewritable optical media	* Image setting and graphic arts products	* "Dry" imaging products
* CD ROM replication services	* Carbonless paper products	* Film processors
		* Photographic film products

</TABLE>

INFORMATION PROCESSOR SERVICE APPLICATIONS

- * Technical field service support for equipment
- * Customer service, documentation and training for equipment
- * Engineering and office document systems

As part of 3M, the Transferred Businesses have developed leadership positions in a number of markets serving the information processing industry, which the Company believes can serve as platforms for future growth. For example, the Company:

- * is the world's largest supplier of branded removable magnetic and optical media (see "BUSINESS AND PROPERTIES OF THE COMPANY -- Customer Applications -- Information Processing, Management and Storage Applications");
- * is one of the world's largest suppliers of color proofing systems to the graphic arts industry, with a number of its Matchprint(tm) and Rainbow products serving as industry standards (see "BUSINESS AND PROPERTIES OF THE COMPANY -- Customer Applications -- Information and Printing Applications");
- * was the first to develop the new, widely-used laser imager for medical imaging applications, with an installed base of over 7,000 imagers (see "BUSINESS AND PROPERTIES OF THE COMPANY -- Customer Applications--Medical and Photo Imaging Applications");
- * is one of the world's largest suppliers of private label film for the amateur photography market (see "BUSINESS AND PROPERTIES OF THE COMPANY--Customer Applications"); and
- * introduced in 1995 and expects to introduce in 1996 several innovative products with significant market potential, including the Travan(tm) high capacity data storage tape cartridges, the new family of Rainbow proofing systems, a new line of DryView(tm) imagers, medical imaging delivery systems developed under an alliance with Cemax/Icon and Hewlett-Packard, and a 120 MB 3.5 inch diskette, the LS-120 diskette, which has been developed with Compaq Computer Corporation and Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE") (See "BUSINESS AND PROPERTIES OF THE COMPANY -- Customer Applications").

STRATEGY

Following the Distribution, the Company intends to utilize its research and development capabilities, its solid technology platforms, its well established product lines, and its strong customer relationships to enhance its position as a leader in the information processing industry, providing innovative, cost-effective system solutions to its customers' information processing needs. To achieve its objectives, the Company intends to focus on the following elements:

- * REFINING PRODUCT PORTFOLIO -- The Company will make adjustments to its product portfolio when appropriate to ensure that all of its resources are focused on the Company's objective of consistent, profitable growth.

- * STREAMLINING OPERATIONS AND REDUCING COSTS -- The Company is in the process of reducing employment levels and consolidating manufacturing operations. In addition, the Company intends to continue its efforts to streamline its management structure, consolidate administrative functions and facilitate communications among various parts of the organization so as to enable the Company to respond quickly to the rapidly changing needs of its customers.
- * EXPANDING CUSTOMER FOCUS -- The Company will strive to provide more timely solutions tailored to each of its potential and existing customers' needs.
- * IMPROVING CASH FLOWS -- The Company continues to take steps to improve cash flows, including instilling in its employees a strong focus on cash management and re-engineering business processes.
- * EXPANDING INTERNATIONAL OPERATIONS -- The Company intends over the next several years to take advantage of opportunities for growth by expanding its international penetration in higher growth regions of the world.
- * CAPITALIZING ON PROPRIETARY TECHNOLOGIES TO PROVIDE CUSTOMER SOLUTIONS -The Company will continue to focus significant efforts on the development of new products utilizing its core technologies so as to improve profit margins and enhance the Company's position as a leading supplier of products, services and systems to the information processing industry.
- * ENCOURAGING EMPLOYEE STOCK OWNERSHIP -- The Company intends to encourage and increase employee stock ownership as an additional incentive toward consistent, profitable growth.

In late 1995, in connection with its plan to distribute the Company to its stockholders, 3M recognized a loss on disposal which included pre-tax charges of \$340 million related to the adoption of a reorganization plan to rationalize the Company's manufacturing operations, streamline its organizational structure and write off impaired assets.

The Company believes its continued leadership in developing new data storage technologies, strong position in high quality color proofing for the printing industry and strong history of leadership in medical imaging for the health care industry, together with the benefits of its reorganization plan and business strategy, should help position the Company to realize future growth and profitability. See "BUSINESS AND PROPERTIES OF THE COMPANY -- Business Strategy."

The Company's headquarters are located at 1 Imation Place, Oakdale, Minnesota 55128. Its telephone number is (612) 704-4000.

SUMMARY HISTORICAL AND PRO FORMA
FINANCIAL DATA

The following summary historical and pro forma financial data of the Company should be read in conjunction with the Company's historical and pro forma financial statements and the notes thereto included elsewhere in this Information Statement. The following summary historical financial information relates to the Transferred Businesses as they were operated as part of 3M and is derived from the historical financial statements of the Company. They also include an allocation of certain general corporate expenses of 3M which were not directly related to these businesses.

The summary pro forma financial data make adjustments to the historical balance sheet at March 31, 1996 and the historical statements of operations for the three months ended March 31, 1996 and the year ended December 31, 1995 as if the Distribution had occurred on March 31, 1996 for purposes of the pro forma balance sheet and January 1, 1995 for purposes of the pro forma statements of operations. The summary historical financial data that relate to the three years in the period ended December 31, 1995 have been derived from the historical financial statements audited by Coopers & Lybrand L.L.P., independent accountants. The historical and pro forma financial statements of the Company may not reflect the results of operations or financial position that would have been obtained had the Company been a separate, independent company during such periods.

IMATION CORP.
SUMMARY HISTORICAL FINANCIAL DATA
(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	1996*	1995	1995**	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>

STATEMENT OF OPERATIONS DATA

Net revenues	\$ 576.1	\$576.7	\$2,245.6	\$2,280.5	\$2,307.8
Gross profit	202.3	212.5	724.7	838.5	886.2
Selling, general and administrative expense	130.7	137.9	539.4	531.5	529.0
Research and development	47.9	56.4	222.4	211.2	216.7
Operating income (loss)	13.3	18.2	(148.9)	95.8	140.5
Income (loss) before taxes and minority interest	10.1	13.0	(166.8)	81.3	127.4
Net income (loss)	6.1	7.5	(85.0)	54.3	75.3

BALANCE SHEET DATA (AS OF END OF PERIOD)

Total working capital	633.4		658.4	714.0
Property, plant and equipment -- net	503.9		513.2	654.9
Total assets	1,520.0		1,541.5	1,671.7
Total liabilities	398.3		392.8	371.7
Total equity	1,121.7		1,148.7	1,300.0

STATEMENT OF CASH FLOWS DATA

Net cash provided by operating activities	69.7	29.5	256.8	170.1	229.2
Net cash used in investing activities	(40.1)	(46.9)	(187.5)	(179.7)	(210.2)
Net cash (paid to) received from 3M	(27.0)	13.4	(72.9)		18.5
Depreciation	48.5	49.1	189.5	185.9	184.4

</TABLE>

SUMMARY PRO FORMA FINANCIAL DATA
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1996*	YEAR ENDED DECEMBER 31, 1995**
	-----	-----

<S>

STATEMENT OF OPERATIONS DATA

Net revenues	\$ 576.1	\$2,245.6
Gross profit	202.3	724.7
Selling, general and administrative expense	130.7	539.4
Research and development	47.9	222.4
Operating income (loss)	13.3	(148.9)
Income (loss) before taxes and minority interest	9.7	(168.3)
Net income (loss)	5.6	(97.4)
Net income (loss) per share	0.13	(2.32)

BALANCE SHEET DATA (AS OF END OF PERIOD)

Total working capital	721.0
Property, plant and equipment -- net	503.9
Total assets	1,570.3
Total debt	280.0
Total liabilities	648.7
Total equity	921.6

</TABLE>

* Restructuring charges reduced results for the three months ended March 31, 1996 by \$10.4 million before taxes and minority interest and \$6.1 million after taxes and minority interest. Net income for the three months ended March 31, 1996 excluding these charges would have been \$12.2 million on a historical basis and \$11.7 million on a pro forma basis. These charges related to costs for certain employee separation programs.

** Restructuring charges and asset write-offs reduced 1995 results by \$166.3 million before taxes and minority interest and \$88.3 million (\$97.8 million on a pro forma basis) after taxes and minority interest. 1995 net income excluding these charges would have been \$3.3 million on a historical basis and \$0.4 million on a pro forma basis. The majority of these charges related to the write down of property, plant and equipment.

INTRODUCTION

On June 18, 1996, the Board of Directors of 3M declared a dividend payable to holders of record of 3M's common stock at the close of business on the Record Date of one share of Common Stock of the Company for every ten shares of 3M common stock held on the Record Date. The Distribution will be effective on July 1, 1996. Certificates representing shares of Common Stock of the Company will be mailed to 3M stockholders on or about July 15, 1996. As a result of the Distribution, 100% of the outstanding shares of Common Stock of the Company will be distributed to 3M stockholders.

The Company was formed for the purpose of effecting the Distribution. On or before the Distribution Date, 3M will transfer to the Company substantially all of the assets and liabilities of the Transferred Businesses. Prior to the Distribution, 3M operated the Transferred Businesses as part of its Information, Imaging and Electronics Sector.

If you have questions relating to the Distribution and delivery of certificates representing shares of Common Stock of the Company, please contact the Distribution Agent at:

In Minneapolis-St. Paul (612) 948-5464
Elsewhere in the U.S. (800) 859-2881

For other information relating to 3M, please contact 3M Investor Relations, 3M Center, St. Paul, Minnesota 55144, telephone number (612) 733-8704. For Company-specific questions, please contact Investor Relations at the Company, 1 Imation Place, Oakdale, Minnesota 55128, telephone number (612) 704-5818.

THE DISTRIBUTION

REASONS FOR THE DISTRIBUTION

3M's Board of Directors has determined that it is in the best interests of 3M and the Company to undertake the Distribution, thereby separating the Transferred Businesses from 3M, for the reasons described herein.

The Distribution is designed to establish the Transferred Businesses as a stand alone independent company which can adopt strategies and pursue objectives appropriate to its specific businesses. The industry in which the Transferred Businesses operate is extremely competitive and is generally characterized by rapid technological change and declining prices.

In this highly competitive industry, the Company must operate with a reduced cost structure, broad distribution channels, a streamlined supply chain and fast paced decision-making. As an independent company, the Company's management should be better able to organize the Company in a manner more appropriate to the markets in which it competes. As a result, the Distribution should enhance the Company's position as an effective competitor, and the Company should be better able to capitalize quickly on changes in the rapidly expanding information processing industry.

The Distribution is also designed to allow the Company to establish its own employee stock ownership plan and other equity-based compensation plans so that there will be a more direct alignment between the performance of the Transferred Businesses and the compensation of employees of the Transferred Businesses, which, among other things, is intended to strengthen and support the Company's ability to achieve cost savings, greater efficiencies and sales growth. Prior to 1996, management of the Transferred Businesses received 3M stock options and until the Distribution Date, employees may participate in a company-wide employee stock ownership plan holding 3M common stock. Following the Distribution, employees of the Company will participate in an employee stock ownership plan holding Common Stock of the Company and receive equity-based incentives which will be more closely aligned with the financial results of the Company, thereby linking each employee's financial success more directly to the financial success of the Company. See "MANAGEMENT OF THE COMPANY -- Retirement Investment Plan," and "-- 1996 Employee Stock Incentive Program."

3M believes that the separation of the information and imaging businesses from its life sciences, industrial and consumer businesses will cause the two entities to be recognized by the financial community as distinct businesses with different investment risk and return profiles. As a result of the Distribution, 3M should develop its following in the financial community primarily as a global manufacturer and marketer of products for the life sciences and industrial and consumer markets while the Company should develop its following primarily as a company serving the global information processing industry. In this regard, investors will be better able to evaluate the merits and future prospects of the businesses of 3M and the Company, enhancing the likelihood that each will achieve appropriate market recognition for its performance and potential. In addition, current stockholders and potential investors will be able to direct their investments to their specific areas of interest. Also, the Distribution will enable the Company, as and when appropriate, to engage in strategic acquisitions using its own capital stock.

For the reasons stated above, the 3M Board of Directors believes that the Distribution is in the best interests of 3M and the Company. In reaching its conclusions, the 3M Board of Directors also considered the opinion of 3M's financial advisor, Morgan Stanley & Co. Incorporated ("Morgan Stanley"), which is described below, to the effect that the Distribution is fair, from a financial point of view, to the holders of shares of 3M common stock.

OPINION OF FINANCIAL ADVISOR

3M retained Morgan Stanley to act as 3M's financial advisor in connection with the Distribution and related matters based upon Morgan Stanley's experience and

expertise. Morgan Stanley rendered a written opinion to the Board of Directors of 3M that, as of the date of this Information Statement and subject to the considerations set forth in such opinion, the proposed Distribution is fair from a financial point of view to the holders of shares of 3M common stock.

THE FULL TEXT OF MORGAN STANLEY'S WRITTEN OPINION DATED JUNE 18, 1996, WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED AS ANNEX A TO THIS INFORMATION STATEMENT AND IS INCORPORATED HEREIN BY REFERENCE. STOCKHOLDERS ARE URGED TO, AND SHOULD, READ THE MORGAN STANLEY OPINION CAREFULLY AND IN ITS ENTIRETY. THE MORGAN STANLEY OPINION IS DIRECTED TO THE BOARD OF DIRECTORS OF 3M AND CONCERNS THE FAIRNESS OF THE PROPOSED DISTRIBUTION FROM A FINANCIAL POINT OF VIEW TO THE HOLDERS OF SHARES OF 3M COMMON STOCK, AND IT DOES NOT ADDRESS ANY OTHER ASPECT OF THE DISTRIBUTION. THE SUMMARY OF THE MORGAN STANLEY OPINION SET FORTH IN THIS INFORMATION STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

In arriving at its opinion, Morgan Stanley (i) analyzed certain publicly available financial statements and other information relating to 3M and the Company, including this Information Statement; (ii) analyzed certain internal historical financial statements and other historical financial operating data concerning 3M and the Company prepared by their respective managements; (iii) analyzed certain financial projections prepared by the respective managements of 3M and the Company; (iv) compared the financial performance of the Company with that of certain other companies with publicly traded securities which were deemed to be comparable to the Company and its respective business units; (v) compared the financial performance of 3M (both with and without the Transferred Businesses) with that of certain other companies with publicly traded securities which were deemed to be comparable to 3M (both with and without the Transferred Businesses), respectively; (vi) discussed past and current operations and financial condition and the prospects of 3M with senior executives of 3M and of the Company with senior executives of the Company; (vii) participated in discussions among representatives of 3M and the Company and their legal advisors; and (viii) performed such other analyses as were deemed appropriate.

In connection with the delivery of its opinion, Morgan Stanley discussed with the Board, among other things, Morgan Stanley's analysis of the possible post-Distribution market values of 3M common stock and the Common Stock, in each case assuming, among other things, that such securities are fully and widely distributed among investors and subject only to normal trading activity (which distribution Morgan Stanley noted could take a period of time). The analysis was based on a range of price/earnings multiples and 1996 and 1997 earnings estimates for the Company and 3M. The price/earnings multiples used in the analysis were compared to the price/earnings multiples of certain publicly-traded companies which Morgan Stanley deemed comparable to the Company and 3M, respectively. The earnings estimates used in the analysis for 3M were compared to certain published analysts' estimates. The analysis generally indicated that, on a post-Distribution basis, based on the earnings estimates and price/earnings multiples that were considered most appropriate, the combined implied market value of one share of 3M common stock and the fractional share of Common Stock reflecting the Distribution ratio would exceed the closing market price per share of 3M common stock on the day prior to the Board's determination to pursue the Distribution.

Morgan Stanley also discussed with the Board Morgan Stanley's analysis of selected "spin-off" transactions completed since 1988, none of which were deemed directly comparable to the Distribution. This analysis generally indicated, among other things, that during the six month periods following the selected spin-offs, the stock prices of the "spun-off" companies slightly outperformed the S&P 500 average.

In addition, Morgan Stanley discussed with the Board Morgan Stanley's view of certain potential benefits of the Distribution, including (i) the ability to reposition 3M with a greater emphasis on its core technologies, (ii) the enhanced focus of 3M's and the Company's management teams, (iii) the ability to enhance the value of the Company's businesses as an independent company with a lower cost structure, simplified management structure and focused management incentives, (iv) the tax-free nature of this transaction, (v) the ability to reflect the Transferred Businesses pending completion of the spinoff as a discontinued operation and (vi) the certainty of completion since the spinoff is not dependent on any third party. Morgan Stanley also discussed with the Board Morgan Stanley's view of certain potential detriments of the Distribution, including potential redistribution of the Common Stock for a period of time following the Distribution.

In rendering its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by Morgan Stanley for the purposes of its opinion. With respect to the financial budgets and forecasts, Morgan Stanley assumed that they have been

reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of 3M and the Company. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities, contingent or otherwise, of 3M or the Company, nor has Morgan Stanley been furnished with any such appraisals.

Morgan Stanley noted that 3M has received a ruling from the Internal Revenue Service to the effect that the Distribution will not be a taxable transaction to the shareholders of 3M under federal income tax laws (except to the extent of any cash distributed in lieu of fractional shares of the Company). In that regard, Morgan Stanley assumed the correctness of the conclusions set forth in such ruling. Morgan Stanley also assumed that the Distribution will comply with all federal, state, local and foreign laws and applicable regulations, except for any noncompliance with such applicable laws and regulations that would not have a material adverse effect on 3M or the Company. In rendering its opinion, Morgan Stanley, with 3M's consent, did not consider the effect of any terms or arrangements relating to the Distribution, including the terms of any distribution, tax or other agreement or arrangement, or any amendment or modification to any existing such agreement or arrangement.

Morgan Stanley's opinion was rendered on the basis of securities markets, economic and general business and financial conditions prevailing as of the date of its opinion and the conditions and prospects, financial and otherwise, of 3M and the Company as they were represented to Morgan Stanley as of the date of its opinion or as they were reflected in the information and documents reviewed by Morgan Stanley. Morgan Stanley's opinion assumes that the Distribution will be completed substantially on the basis set out in the Information Statement and that the shares of 3M and the Company will be fully and widely distributed among investors and are subject only to normal trading activity. The estimation of market trading prices of newly distributed securities is subject to uncertainties and contingencies, all of which are difficult to predict and beyond the control of the firm making such estimates.

In addition, Morgan Stanley noted that the market price of such securities will fluctuate with changes in market conditions, the conditions and prospects, financial and otherwise, of 3M and the Company, and other factors which generally influence the prices of securities. In rendering its opinion, Morgan Stanley did not opine as to the price at which the common stock of 3M or the Company will trade after the Distribution is effected.

As financial advisor to 3M in connection with the Distribution, Morgan Stanley has been paid an advisory fee of approximately \$300,000 which compensated Morgan Stanley for the time and efforts expended in rendering advice in connection with the Distribution and, upon consummation of the Distribution, Morgan Stanley will be paid a transaction fee, against which all or a portion of any advisory fee will be credited. The transaction fee, which shall not exceed \$5,500,000, will be determined based on a percentage of the market value of the equity of the Company on the Distribution Date plus any debt assumed or incurred by the Company (the "Aggregate Value"). For example, for an Aggregate Value of \$500 million, Morgan Stanley's fee would be 0.7% or \$3.5 million; for an Aggregate Value of \$1 billion, Morgan Stanley's fee would be 0.45% or \$4.5 million; and for an Aggregate Value in excess of approximately \$1.25 billion, Morgan Stanley's fee would be capped at \$5.5 million. 3M has agreed to reimburse Morgan Stanley for its out-of-pocket expenses incurred in connection with its services as financial advisor. 3M has also agreed, in a separate letter agreement, to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities, including liabilities under the federal securities laws, and expenses related to Morgan Stanley's engagement.

Morgan Stanley was selected by the 3M Board to act as 3M's financial advisor based upon Morgan Stanley's qualifications, expertise and reputation. Morgan Stanley is a nationally recognized investment banking firm and is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings and private placements.

Morgan Stanley and its affiliates may in the future act as underwriters for, or participate as members of underwriting syndicates with respect to, offerings of 3M securities, and Morgan Stanley may effect securities transactions for 3M or perform financial advisory services in connection with certain acquisitions and dispositions by 3M. In the past, Morgan Stanley and its affiliates have provided investment banking and financing services for 3M and have received fees for the rendering of such services. In addition, in the ordinary course of its business, Morgan Stanley actively trades the equity securities of 3M and may actively trade the securities of the Company following the consummation of the Distribution, for its own account and for the accounts of others. Accordingly, Morgan Stanley may at any time hold a long or short position in the securities of 3M or the Company.

MANNER OF EFFECTING THE DISTRIBUTION

The general terms and conditions relating to the Distribution are set forth in a

Transfer and Distribution Agreement, dated as of June 18, 1996 (the "Distribution Agreement"), between 3M and the Company.

3M will effect the Distribution on the Distribution Date by delivering all of the outstanding shares of Common Stock of the Company to the Distribution Agent for distribution to the holders of record of 3M common stock on the Record Date (other than the holders of a limited number of shares of restricted common stock of 3M, who, pursuant to the terms of the 3M Management Stock Ownership Program as implemented by 3M's Compensation Committee, will receive additional shares of restricted 3M Common Stock with a value equal to the value of the Common Stock which would have been received by such holders in the Distribution). The Distribution will be made on the basis of one share of Common Stock for every ten shares of 3M common stock held on the Record Date. The actual total number of shares of Common Stock to be distributed will depend on the number of shares of 3M common stock outstanding on the Record Date (other than shares of restricted stock). Based upon the shares of 3M common stock outstanding on May 1, 1996, approximately 41,863,000 shares of Common Stock would be distributed to 3M stockholders. The shares of Common Stock will be fully paid and nonassessable and the holders thereof will not be entitled to preemptive rights. See "DESCRIPTION OF COMPANY CAPITAL STOCK." Certificates representing shares of Common Stock will be mailed to 3M stockholders on or about July 15, 1996.

No holder of 3M common stock will be required to pay any cash or other consideration for the shares of Common Stock received in the Distribution or to surrender or exchange shares of 3M common stock in order to receive shares of Common Stock.

No certificates or scrip representing fractional shares of Common Stock will be issued to 3M stockholders as part of the Distribution. The Distribution Agent will aggregate fractional shares into whole shares and sell them in the open market at then prevailing prices on behalf of holders who otherwise would be entitled to receive fractional share interests, and such persons will receive instead a cash payment in the amount of their pro rata shares of the total sale proceeds (net of any commissions incurred in connection with such sales). Such sales are expected to be made on, or as soon as practicable after, the Distribution Date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

3M has received a private letter ruling (the "Private Letter Ruling") from the Internal Revenue Service (the "Service") substantially to the effect that, among other things, the Distribution will qualify as a tax-free spin-off to 3M and its stockholders under Section 355 of the Code. The following is a summary of the material federal income tax consequences to 3M stockholders expected to result from the Distribution:

1. A 3M stockholder will not recognize any income, gain or loss as a result of the Distribution, except, as described below, in connection with cash received in lieu of fractional shares of Common Stock.

2. A 3M stockholder will apportion his tax basis for his 3M common stock on which Common Stock is distributed between his 3M common stock and the Common Stock received in the Distribution (including any fractional shares of Common Stock deemed received) in proportion to the relative fair market values of such 3M common stock and Common Stock on the Distribution Date.

3. A 3M stockholder's holding period for the Common Stock received in the Distribution will include the period during which such stockholder held the 3M common stock on which the Common Stock is distributed, provided that such 3M common stock is held as a capital asset by such stockholder as of the Distribution Date.

4. A 3M stockholder who receives cash in lieu of a fractional share of Common Stock as a result of the sale of such shares by the Distribution Agent will be treated as if such fractional share had been received by the stockholder as part of the Distribution and then sold by such stockholder. Accordingly, such stockholder will recognize gain or loss equal to the difference between the cash so received and the portion of the tax basis in the Common Stock that is allocable to such fractional share. Such gain or loss will be capital gain or loss, provided that such fractional share was held by such stockholder as a capital asset at the time of the Distribution.

Current Treasury regulations require each 3M stockholder who receives Common Stock pursuant to the Distribution to attach to his federal income tax return for the year in which the Distribution occurs a detailed statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Code to the Distribution. 3M will convey the appropriate information to each stockholder of record as of the Record Date.

The summary of federal income tax consequences set forth above is for general information only and may not be applicable to stockholders who received their shares of 3M common stock through the exercise of an employee stock option or otherwise as compensation or who are not citizens or residents of the United States or who are otherwise subject to special treatment under the Code. All

stockholders should consult their own tax advisors as to the particular tax consequences of the Distribution to them, including the applicability and effect of state, local and foreign tax laws.

LISTING AND TRADING OF THE COMMON STOCK

The shares of Common Stock have been approved for listing on the New York Stock Exchange, Inc. ("NYSE") and the Chicago Stock Exchange, subject to official notice of issuance, and will trade under the symbol "IMN." Initially the Company is expected to have approximately 106,000 holders of record, based on the number of stockholders of record of 3M on May 1, 1996.

A "when-issued" trading market is expected to develop on or about the Record Date. The term "when-issued" means that shares can be traded prior to the time certificates are actually available or issued. Prices at which the shares of Common Stock may trade, on a "when-issued" basis or after the Distribution, cannot be predicted. See "SPECIAL FACTORS -- Absence of Prior Trading Market for the Common Stock."

The shares of Common Stock distributed to 3M stockholders will be freely transferable, except for shares of Common Stock received by persons who may be deemed to be "affiliates" of the Company under the Securities Act of 1933, as amended (the "Securities Act"). Persons who may be deemed to be affiliates of the Company after the Distribution generally include individuals or entities that control, are controlled by, or are under common control with the Company and may include the directors and principal executive officers of the Company as well as any principal stockholder of the Company. Persons who are affiliates of the Company will be permitted to sell their shares of Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Section 4(2) of the Securities Act and Rule 144 thereunder.

SPECIAL FACTORS

ABSENCE OF HISTORY AS AN INDEPENDENT COMPANY

The Company was formed for the purpose of effecting the Distribution and does not have an operating history as an independent company. Accordingly, the financial statements included herein may not necessarily reflect the results of operations, financial position and cash flows of the Transferred Businesses had the Company been operated independently during the periods presented. In addition, the financial information does not reflect many changes that will occur in the operations of the Company as a result of the Company's strategic reorganization (See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Strategic Reorganization") and future business strategies (See "BUSINESS AND PROPERTIES OF THE COMPANY -- Business Strategy"). The Company believes that these changes, when implemented, will have a meaningful positive impact on the results of operations of the Company. However, there can be no assurance as to the timing or amount of any positive impact which may be realized.

CHANGING INDUSTRY ENVIRONMENT

The information processing industry involves the creation, capture, manipulation, storage, production and distribution of information. As there is a greatly expanding need to manage and store more complex information in less time, with less resources and with greater accuracy, there is an increasing emphasis in the marketplace on products using digital technology (See "BUSINESS AND PROPERTIES OF THE COMPANY -- Industry Background").

While the Company has a number of successful digital products, the long-term profitability of the Company will depend, in part, on the Company's ability to anticipate the growing uses of digital technologies. The Company believes that its leadership positions in a number of markets, its proprietary technologies and its commitment to the development of innovative solution-based products are factors which will contribute to the Company's ability to be successful. The Company recognizes, however, that there are many factors beyond its control and that no assurances can be given as to the Company's ability to anticipate and satisfy the needs of this evolving marketplace.

TRANSITION TO INDEPENDENT PUBLIC COMPANY

Prior to the Distribution, the Transferred Businesses had the benefit of certain 3M trademarks and 3M's reputation in marketing their products. Pursuant to agreements being entered into with 3M, the Company will continue to have the use of certain 3M trademarks for an agreed upon period of time following the Distribution. One of the challenges facing the Company will be to develop a name and identity for itself independent of 3M. There can be no assurance that the Company will be successful in this regard or that the loss of use of 3M trademarks might not have an adverse effect on the business of the Company.

Prior to the Distribution, a number of services have been provided to the Company by 3M. For a transition period following the Distribution, 3M will continue to provide such services to the Company. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION." However, during and after this

transitional period the Company will need to develop its own services and support systems independent of 3M.

ABSENCE OF 3M FINANCIAL SUPPORT

Prior to the Distribution, the Transferred Businesses participated in 3M's centralized funding and cash and foreign currency management. The capital requirements of the Transferred Businesses in excess of their internally generated funds were provided by 3M. 3M, and not the Transferred Businesses, was responsible for obtaining any external financing required by the Transferred Businesses. Although in the years 1993 and 1995, the Company provided cash to 3M in excess of amounts required for capital expenditures and operating requirements in the amounts of \$13.1 million and \$72.9 million respectively, in 1994, 3M provided financial support in the amount of \$18.5 million to the Company. See "HISTORICAL FINANCIAL STATEMENTS -- Historical Statements of Cash Flows." This financial support will not be available to the Company following the Distribution and the Company will be responsible for obtaining its own financing and may experience a higher cost of capital. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION," "FINANCING" and "SPECIAL FACTORS -- Transition to Independent Public Company."

COMPETITION

The Company operates in a highly competitive environment. The Company's competitors are both larger and smaller than the Company in terms of resources and market shares. The marketplaces in which the Company operates are generally characterized by strong unit growth, rapid technological change, evolution to digital business solutions, and declining prices. In these highly competitive markets, the Company must compete on the basis of understanding customer needs, lower costs, introduction of new products and strong digital technology. Although the Company believes that it can take the necessary steps to meet the competitive challenges of these marketplaces, no assurance can be given with regard to the Company's ability to take these steps, the actions of competitors, some of which will have greater resources than the Company, or the pace of technological changes. See "BUSINESS AND PROPERTIES OF THE COMPANY -- Competition."

INTERNATIONAL OPERATIONS

The Company does business in approximately 60 countries outside of the United States, most significantly Italy, the United Kingdom, France and Germany. International operations, which comprised approximately 50% of the Company's revenues in 1995, may be subject to various risks which are not present in domestic operations, including political instability, the possibility of expropriation, restrictions on royalties, dividends and currency remittances, volatility of exchange rates of foreign currencies, local government involvement required for operational changes within the Company, requirements for governmental approvals for new ventures and local participation in operations such as local equity ownership and workers' councils.

ABSENCE OF PRIOR TRADING MARKET FOR THE COMMON STOCK

There has not been any established public market for the trading of the Company's Common Stock, although it is expected that a "when-issued" trading market will develop on or about the Record Date. The shares of Common Stock have been approved for listing on the NYSE and the Chicago Stock Exchange, subject to official notice of issuance. However, there can be no assurance as to the prices at which the Common Stock will trade before or after the Distribution Date. Until the Common Stock is fully distributed and an orderly market develops, the prices at which shares trade may fluctuate significantly. Prices for shares of Common Stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for the shares, investor perception of the Company and the industry in which the Company participates and general economic and market conditions.

COMMON STOCK DIVIDEND POLICY

The payment and amount of cash dividends on the Common Stock after the Distribution will be subject to the discretion of the Company's Board of Directors. The Company's dividend policy will be reviewed by the Company's Board of Directors at such future times as may be appropriate, and payment of dividends on the Company's Common Stock will depend upon the Company's financial position, capital requirements, profitability and such other factors as the Company's Board of Directors deems relevant.

CERTAIN ANTI-TAKEOVER EFFECTS

Certain provisions of the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") and By-Laws (the "By-Laws"), including provisions classifying the board of directors, prohibiting stockholder action by written consent, governing business transactions with certain stockholders and requiring advance notice for nomination of directors and stockholder proposals, may inhibit changes in control of the Company not approved by the Company's Board of Directors. In addition, preferred stock purchase rights which will attach to the Common Stock would have similar effects. See "PURPOSES AND EFFECTS

OF CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BY-LAWS -- Rights Agreement." Such Certificate of Incorporation and By-law provisions and preferred stock purchase rights could diminish the opportunities for a stockholder to participate in certain tender offers, including tender offers at prices above the then-current market value of the Common Stock, and may also inhibit fluctuations in the market price of the Common Stock that could result from takeover attempts. See "PURPOSES AND EFFECTS OF CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BY-LAWS." In addition, the Company's Board of Directors, without further stockholder approval, may issue preferred stock that could have the effect of delaying, deterring or preventing a change in control of the Company. The issuance of preferred stock could also adversely affect the voting power of the holders of the Common Stock, including the loss of voting control to others. The Company has no present plans to issue any preferred stock. See "DESCRIPTION OF COMPANY CAPITAL STOCK -- Preferred Stock." Certain agreements pursuant to which 3M is transferring to the Company rights with respect to certain patents, trademarks, know-how and other intellectual property provide that 3M may terminate some or all of such rights in the event that control of the Company is acquired by an entity which may result in substantially enhanced competition to a significant business of 3M. As a result, these provisions may inhibit a change in control of the Company. In addition, there can be no assurance that the loss of such intellectual property rights following a change of control would not have a material adverse effect on the Company's business. Such agreements, the provisions of the Certificate of Incorporation and By-laws and the preferred stock rights may have the effect of discouraging or preventing an acquisition of the Company or a disposition of certain of the Company's businesses.

RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION

For purposes of an orderly transfer on the Distribution Date of the Transferred Businesses to the Company and an orderly transition to the status of two separate independent companies, 3M and the Company have entered or will enter into various agreements and relationships, including those described in this section. These agreements are generally intended to be on an arms-length basis. The forms of agreements summarized in this section are included as exhibits to the Registration Statement of which this Information Statement forms a part, and the following summaries are qualified in their entirety by reference to the agreements as filed.

DISTRIBUTION AGREEMENT

3M and the Company have entered into the Distribution Agreement, which provides for, among other things, the principal corporate transactions required to effect the Distribution, the transfer to the Company of the Transferred Businesses, the division between 3M and the Company of certain liabilities and certain other agreements governing the relationship between 3M and the Company following the Distribution.

The Distribution Agreement generally provides for the transfer by 3M to the Company or Imation Enterprises Corp. ("Enterprises"), which will be a wholly owned subsidiary of the Company immediately following the Distribution, of the assets used in the Transferred Businesses on an "as is and where is" basis, and for the assumption by the Company or Enterprises of substantially all of the liabilities relating to the Transferred Businesses. In particular, approximately one-half of the domestic manufacturing operations of the Transferred Businesses, as well as research and development, administrative and corporate staff functions and the capital stock of Enterprises and certain foreign subsidiaries of 3M, will be transferred to the Company together with substantially all assets and liabilities associated therewith. The remaining manufacturing operations and all marketing, field logistical and service operations will be transferred to Enterprises, together with primarily all assets and liabilities related to such operations. Substantially all the assets of the Transferred Businesses will be transferred to the Company as a contribution to capital, except for certain assets related to non-U.S. operations which will be purchased by the Company. The assets relating to non-U.S. operations will generally be transferred to subsidiaries of the Company around the world, either as a contribution to capital or through a sale of assets at book value. Generally, such subsidiaries will carry on the sales, service and marketing functions of the Transferred Businesses outside the United States, except that manufacturing operations will be conducted by the Company's subsidiaries in Italy and Argentina. In addition, in most countries outside the U.S., trade accounts receivable and accounts payable will be retained by 3M and 3M will pay to the Company following the Distribution an amount corresponding to the amount by which such receivables exceed such payables. See "PRO FORMA FINANCIAL STATEMENTS."

The Distribution Agreement provides that in the event that it is not feasible to effect the transfers of non-U.S. operations on or prior to the Distribution Date in any particular country, 3M and the Company will continue, following the Distribution Date, their respective efforts to have such transfers and payments effected as promptly as practicable following the Distribution Date or, if the Company and 3M determine that such transfers are not capable of being effected on a timely basis, enter into such other arrangements as are mutually agreed upon which are intended to enable the Company to operate in such country on a basis similar to that being conducted by 3M with respect to the Transferred

Businesses. Pending consummation of any such transfers, the Company and 3M shall enter into such arrangements as may be necessary to enable 3M to continue to conduct the Transferred Businesses. Following completion of each such transfer, either 3M shall pay to the Company an amount equal to the net profits realized after the Distribution Date with respect to these operations or the Company shall pay to 3M an amount equal to any net losses incurred by 3M after the Distribution Date with respect to these operations, as the case may be.

The Distribution Agreement also contains certain provisions relating to employee compensation, benefits and labor matters and the treatment of options to purchase and awards with respect to 3M common stock held by employees of 3M who are becoming employees of the Company. Among other things, these provisions apply to the discharge by the Company of liabilities and obligations relating to employees of the Transferred Businesses.

The Distribution Agreement further provides that 3M and the Company shall each be granted access to certain records and information in the possession of the other, and requires the retention by each of 3M and the Company following the Distribution Date of all such information in its possession in accordance with existing document retention policies.

The Distribution Agreement provides that, except as otherwise set forth therein or in any related agreement, 3M and the Company will pay their own costs and expenses in connection with the Distribution.

TAX SHARING AND INDEMNIFICATION AGREEMENT

3M and the Company have entered into a Tax Sharing and Indemnification Agreement (the "Tax Sharing Agreement"), providing for their respective obligations concerning various tax liabilities. The Tax Sharing Agreement provides that 3M shall pay, and indemnify the Company if necessary, with respect to all federal, state, local and foreign income taxes relating to the Transferred Businesses for any taxable period ending on or before the Distribution Date except that the Company shall indemnify 3M for any income taxes arising out of the failure of the Distribution or any of the transactions related to it to qualify as tax free as a result of certain actions taken by the Company or any of its subsidiaries. 3M has also generally agreed to pay all other taxes (other than those which are imposed solely on the Company) that are payable in connection with the Distribution and the transactions related to it the liability for which arises on or before the Distribution Date. The Tax Sharing Agreement further provides for cooperation with respect to certain tax matters, the exchange of information and the retention of records which may affect the income tax liability of either party.

CORPORATE SERVICES TRANSITION AGREEMENT

3M and the Company have entered into a Corporate Services Transition Agreement (the "Corporate Services Agreement") pursuant to which 3M has agreed to provide to the Company certain services, including engineering and environmental services, logistics and information technology services, financial services, human resources administration services and tax, insurance, treasury, and employee benefits administration, which 3M historically has provided to the Transferred Businesses. The length of time that 3M will provide such services and the amount that the Company will pay for such services varies based on the type of service. Generally, no services are expected to be provided beyond two years following the Distribution Date, and after such time the Company expects to provide such services on its own behalf. The Corporate Services Agreement is terminable by each party upon 90 days notice, provided that 3M is not permitted to terminate certain specified services, which the parties have determined will require a longer period to replace. The cost associated with the services to be provided by 3M will be either a fixed dollar amount based on the estimated cost of the services to be provided, or an amount to be determined pursuant to a formula based on the services actually provided. Any services required by the Company beyond the first year will be based on costs incurred plus an 8% mark-up.

Certain foreign subsidiaries of the Company and 3M have entered or will enter into corporate services agreements pursuant to which 3M will provide to such subsidiaries services similar to those to be provided to the Company pursuant to the Corporate Services Agreement.

ENVIRONMENTAL MATTERS AGREEMENT

3M and the Company have entered into an Environmental Matters Agreement (the "Environmental Matters Agreement") providing for their respective obligations concerning environmental liabilities arising out of the operation of the premises of the Transferred Businesses and other environmental matters.

Under the Environmental Matters Agreement, the Company will assume and indemnify 3M for all liabilities relating to, arising out of or resulting from (i) operations at the Company's facilities as conducted before the Closing Date; (ii) the disposal of hazardous materials, from the Company's facilities, before the Distribution Date, at disposal sites operated by third parties ("Superfund

Sites"), where such liabilities are discovered after the Distribution Date; or (iii) operations of the Transferred Businesses on and after the Distribution Date. 3M has agreed to retain responsibility for environmental liabilities relating to former premises which may have been associated with the Transferred Businesses, and known Superfund sites associated with the current properties of the Transferred Businesses. See "BUSINESS AND PROPERTIES OF THE COMPANY -- Environmental Matters."

As of March 31, 1996 the Company had reserved approximately \$6.5 million with respect to environmental liabilities.

INTELLECTUAL PROPERTY AGREEMENT

3M and the Company have entered into an Intellectual Property Rights Agreement (the "Intellectual Property Agreement") pursuant to which 3M will grant to the Company, effective as of the Distribution Date, rights to use certain intellectual property (such as patent rights, copyrights, mask work rights and proprietary information) exclusively in the fields of use in which the Transferred Businesses presently operate and non-exclusively in certain other fields. In addition, 3M is transferring to the Company title to certain intellectual property rights used by the Transferred Businesses, subject to certain rights which 3M will have to continue to use such intellectual property rights. The Intellectual Property Agreement further provides for cross licensing of certain future intellectual property developed during a transition period. In addition, for various transition periods specified in the Intellectual Property Agreement, the Company will be granted the right to use certain 3M trademarks under a royalty-bearing license. Trademarks used only by the Transferred Businesses will be assigned to the Company.

The Intellectual Property Agreement provides that the costs associated with the procurement and maintenance of patents and trademarks licensed to either party by the other under the Intellectual Property Agreement will be the responsibility of the party owning the particular patent or trademark. However, with respect to patents, either party may designate a patent or patent application under which it is licensed by the other party to be of "common interest." The licensed party is granted certain rights to participate in decisions involving such common interest patents and patent applications, and the costs thereof are shared by the parties. The costs of enforcing licensed patents against an infringer will be borne by the party instituting the lawsuit unless the parties agree otherwise. For jointly-owned patents, enforcement costs are shared if both parties desire to participate. The licensed party's enforcement of patents requires prior approval by the party owning the patent.

With the exception of licensed trademark rights, no royalties or fees are payable by the Company to 3M for the assignment and license of intellectual property to the Company under the Intellectual Property Agreement. With respect to licensed trademarks, the Company will pay a reasonable royalty through cash payments, commitments to purchase product from 3M and/or engaging in certain other activities benefiting 3M.

The parties will cross-license each other under certain patents and proprietary information developed by each party during the two year period following the Distribution Date. The cross-licenses are royalty-free and generally of the same scope (i.e., exclusive or non-exclusive in defined fields) as the licenses granted to and retained by the Company and 3M, respectively, under the patents and proprietary information existing at the time of the Distribution.

The Company and 3M will enter into joint development agreements pursuant to which the parties will assist each other in the development of new products after the Distribution Date. The relationship between the parties under the agreements will vary from simple purchased research to shared product development.

3M and the Company have agreed not to compete with each other in their respective businesses for a period of five years following the Distribution Date. 3M agrees that, except for ancillary activity involving an insubstantial business, it will not compete directly or indirectly in the Company's Exclusive Fields (which, as defined in the Intellectual Property Agreement are generally the fields of business in which the Company is presently engaged). The Company agrees that, except for ancillary activity involving an insubstantial business, it will not compete, directly or indirectly in the 3M Business Fields (which, as defined in the Intellectual Property Agreement, are generally the fields of business in which 3M is presently engaged). However, this provision does not preclude the Company from indirect activity, outside of the 3M Reserved Fields (which, as defined in the Intellectual Property Agreement, are generally fields closely related to the Company's Exclusive Fields where 3M has retained exclusive rights), involving working with a third party on that party's imaging and electronic information processing needs, internal or external, as long as the activity does not benefit, in more than an ancillary way, a product or service of the third party which competes with a product or service in the 3M Business Fields.

SUPPLY, SERVICE, CONTRACT MANUFACTURING AND SALES AGENCY AGREEMENTS

3M and the Company have entered into various product and service supply agreements (the "Supply Agreements") providing for the supply by 3M to the Company and by the Company to 3M, of certain products and services. Under the Supply Agreements, 3M will supply to the Company certain raw material and intermediate products including film, specialty chemicals and abrasives and will provide to the Company certain contract manufacturing services, primarily equipment assembly services. The cost of all such products and services supplied by 3M to the Company during 1995 totaled approximately \$103 million. Under the Supply Agreements, the Company will supply to 3M certain semi-finished products and components and will provide to 3M certain contract manufacturing and other services, including converting, slitting and coating services and technical field service. The cost of all such products and services supplied by the Company to 3M during 1995 totaled approximately \$41 million. The prices for products supplied by either party under the Supply Agreements will be based on the cost of supplying such product plus a 5% mark-up in 1996, a 10% mark-up in 1997 and a 15% mark-up in 1998 and thereafter. The prices paid for contract manufacturing services provided by either party vary depending on the services provided but generally will be based on costs incurred plus an 8% mark-up. 3M and the Company have also entered into a sales agency agreement providing for the appointment of 3M as a sales agent for certain finished products supplied by the Company in return for the payment of a commission for orders taken for the Company's products. The Company expects to pay commissions to 3M for sales agency services of approximately \$1.3 million during the last six months of 1996.

SHARED FACILITY AND LEASE AGREEMENTS

3M and the Company have entered into various lease agreements with respect to certain facilities (the "Shared Facility Agreements") at which 3M and the Company will continue to share space. With respect to each of these facilities, the party that will be the owner (or primary tenant) of the facility will lease to the other party a portion of the facility so as to enable the other party to conduct operations at such facility.

The form of lease to be entered into by 3M and the Company provides for the payment of rent in an amount approximating the standard recharge rate used by the lessor with respect to internal uses of such facilities. The leases generally provide for a two year term, in some cases with an option to extend for an additional two years. It is expected that 3M will pay to the Company approximately \$455,000 and that the Company will pay approximately \$11.4 million to 3M in the first year following the Distribution with respect to Shared Facility Agreements.

Each of 3M and the Company believes that the properties it will own or have a leasehold interest in following the Distribution will be adequate for its business following the Distribution. Over the next two years, the Company anticipates building new facilities at the site of its corporate headquarters so as to consolidate its headquarters operations.

FINANCING

The Company has obtained a commitment letter dated June 10, 1996, from Citibank, N.A., to provide, or arrange for a group of lenders to provide, a \$350 million five-year, revolving credit facility (the "Revolving Credit Facility") to the Company which will be used primarily to refinance certain existing debt, to finance the Company's purchase of certain assets from 3M related to the Company's non-U.S. operations, to fund certain accrued employee benefits and certain loans to the Company's employee stock ownership plan and to fund working capital and other general corporate needs of the Company and its subsidiaries following the Distribution. A definitive credit agreement containing the terms described below will be executed prior to the Distribution Date.

Loans obtained under the Revolving Credit Facility are expected to bear interest, at the election of the Company, at (i) a fluctuating rate equal to the highest of (a) Citibank N.A.'s publicly announced "base" rate, (b) the latest three-week moving average of secondary market morning offering rates for three-month certificates of deposit plus $-1/2$ of 1% and (c) the Federal funds rate plus $-1/2$ of 1%, in each case plus an applicable margin or (ii) a periodic fixed rate equal to the London Interbank Offered Rate plus an applicable margin, in either case with the applicable margin varying based on a pricing grid tied to the Company's financial performance or, if and when obtained, the ratings on the Company's long-term senior unsecured indebtedness. The Company will also pay a facility fee on the entire amount of the Revolving Credit Facility in effect from time to time at a per annum rate that will vary depending on the same criteria used to determine the applicable margin. The Revolving Credit Facility is also expected to contain, among other terms, conditions precedent, covenants, mandatory prepayment provisions and events of default customary for facilities of this type. Such covenants may relate to limitations on the incurrence of indebtedness, mergers and consolidations involving the Company, certain sales of assets, the creation of liens and maintenance of financial ratios (including an adjusted interest coverage ratio, a total capitalization ratio, and a minimum consolidated tangible net worth). In addition to the facility fee described above, the Company expects to pay certain other customary fees in connection with the Revolving Credit Facility.

PRO FORMA CAPITALIZATION

The following table sets forth the unaudited pro forma capitalization of the Company at March 31, 1996. This data should be read in conjunction with the pro forma balance sheet and the introduction to the pro forma financial statements appearing elsewhere in this Information Statement. The pro forma information may not reflect the capitalization of the Company in the future or as it would have been had the Company been a separate, independent company on March 31, 1996. Assumptions regarding the number of shares of the Company's Common Stock may not reflect the actual numbers at the Effective Date. See "PRO FORMA FINANCIAL STATEMENTS."

IMATION CORP.
PRO FORMA CAPITALIZATION TABLE
AS OF MARCH 31, 1996
(DOLLARS IN MILLIONS)

	HISTORICAL (UNAUDITED)	PRO FORMA ADJUSTMENTS (UNAUDITED)	PRO FORMA (UNAUDITED)
	-----	-----	-----
Long-term debt		\$ 250.0 (a) 30.0 (b)	\$ 280.0
Equity			
Net investment by 3M	\$1,121.7	(150.1) (c) (20.3) (d) 0.3 (e) (951.6) (f)	--
Common stock		0.4 (f)	0.4
Additional paid in capital		951.2 (f)	951.2
Unearned ESOP shares		(30.0) (b)	(30.0)
	-----	-----	-----
Total equity	1,121.7	(200.1)	921.6
	-----	-----	-----
Total capitalization	\$1,121.7	\$ 79.9	\$1,201.6
	=====	=====	=====

NOTES TO PRO FORMA CAPITALIZATION TABLE

(a) Reflects an estimated \$250 million of debt the Company expects to incur for general corporate purposes on or shortly after the Distribution Date. Approximately \$150.1 million of the \$250 million to be borrowed will be used at the time of the Distribution to purchase from 3M certain assets located outside the United States where spin-off transactions will not be consummated and to repay intercompany indebtedness being assumed by the Company in connection with the Distribution, and approximately \$26.9 million will be used to pay certain accrued employee benefits.

(b) Reflects funds borrowed by the Company and on-lent to the ESOP and the adjustment to the Company's equity resulting from the purchase of outstanding shares of Common Stock by the ESOP which have not been earned by ESOP participants and allocated to their respective accounts.

(c) Reflects the net payment to 3M of an estimated \$150.1 million to purchase certain assets located outside the United States where spinoff transactions will not be consummated and to repay intercompany indebtedness being assumed by the Company in connection with the Distribution.

(d) Represents a valuation allowance necessary to reflect deferred tax assets at their estimated realizable value on a purely separate return basis.

(e) Reflects the net deferred tax assets to be realized by 3M upon the Company's purchase of certain assets outside the United States (see Note (c)).

(f) Reflects the issuance of an estimated 42 million shares of common stock, par value \$.01 per share, as of July 1, 1996. This is based on 3M's common stock outstanding at March 31, 1996 of 418.6 million shares and an assumed distribution of one share of the Company's common stock for every ten shares of 3M common stock outstanding. Additional paid in capital represents the excess of the historical carrying values of the Company's net assets at the Distribution Date over the amount reflected as Common Stock.

PRO FORMA FINANCIAL STATEMENTS

The Company was formed by 3M for the purpose of effecting the Distribution and has no operating history as a separate, independent company. The historical financial statements of the Company reflect periods during which the Company did

not operate as a separate, independent company, and certain assumptions were made in preparing such financial statements. Therefore, such historical financial statements may not reflect the results of operations or financial position that would have existed had the Company been a separate, independent company.

The following pro forma financial statements of the Company make adjustments to the historical (unaudited) balance sheet at March 31, 1996 and the historical statements of operations for the year ended December 31, 1995, and the three months ended March 31, 1996 (unaudited) as if the Distribution had occurred on March 31, 1996 for purposes of the pro forma balance sheet and January 1, 1995 for purposes of the pro forma statements of operations.

THE PRO FORMA FINANCIAL STATEMENTS OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE HISTORICAL FINANCIAL STATEMENTS OF THE COMPANY AND THE NOTES THERETO CONTAINED ELSEWHERE IN THIS INFORMATION STATEMENT. THE PRO FORMA FINANCIAL INFORMATION IS PRESENTED FOR INFORMATIONAL PURPOSES ONLY AND MAY NOT REFLECT THE FUTURE RESULTS OF OPERATIONS OR FINANCIAL POSITION OF THE COMPANY OR WHAT THE RESULTS OF OPERATIONS OR FINANCIAL POSITION WOULD HAVE BEEN HAD THE COMPANY'S BUSINESSES BEEN OPERATED AS A SEPARATE, INDEPENDENT COMPANY.

The pro forma financial statements assume the completion of the transactions contemplated by the Distribution Agreement and the agreements to be entered into pursuant to the Distribution Agreement, including the completion of all the asset transfers and contract assignments contemplated thereby. Although it is possible that certain asset transfers relating to the Company's operations outside the United States may not be completed prior to the Distribution Date, the Distribution Agreement provides that the economic benefits or costs relating to such assets following the Distribution will be for the Company's account. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Distribution Agreement." Assumptions regarding the number of shares of the Company's Common Stock may not reflect the actual numbers at the Distribution Date.

IMATION CORP.
PRO FORMA STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1996 AND YEAR ENDED DECEMBER 31, 1995
(IN MILLIONS EXCEPT FOR PER SHARE DATA)

	THREE MONTHS ENDED MARCH 31, 1996			YEAR ENDED DECEMBER 31, 1995		
	HISTORICAL (UNAUDITED)	PRO FORMA ADJUSTMENTS (UNAUDITED)	PRO FORMA (UNAUDITED)	HISTORICAL	PRO FORMA ADJUSTMENTS (UNAUDITED)	PRO FORMA (UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	\$576.1		\$576.1	\$2,245.6		\$2,245.6
Cost of goods sold	373.8		373.8	1,520.9		1,520.9
Gross profit	202.3	--	202.3	724.7	--	724.7
Operating expenses:						
Selling, general and administrative	130.7		130.7	539.4		539.4
Research and development	47.9		47.9	222.4		222.4
Restructuring charges	10.4		10.4	111.8		111.8
Total	189.0	--	189.0	873.6	--	873.6
Operating income (loss)	13.3	--	13.3	(148.9)	--	(148.9)
Interest expense and other	3.2	0.4 (a)	3.6	17.9	1.5 (a)	19.4
Income (loss) before taxes and minority interest	10.1	(0.4)	9.7 (d)	(166.8)	(1.5)	(168.3) (d)
Income tax provision (benefit)	4.1	(0.2) (b)	4.5	(70.5)	(0.6) (b)	(48.1)
		0.6 (c)			23.0 (c)	
Minority interest	(0.1)	(0.3) (c) (f)	(0.4)	(11.3)	(11.5) (c) (f)	(22.8)
Net income (loss)	\$ 6.1	\$ (0.5)	\$ 5.6 (d)	\$ (85.0)	\$ (12.4)	\$ (97.4) (d)
Net income (loss) per share			\$ 0.13 (e)			\$ (2.32) (e)

</TABLE>

The accompanying notes are an integral part of this statement.

NOTES TO PRO FORMA STATEMENTS OF OPERATIONS

(a) Represents an adjustment of the allocation of 3M's interest expense to reflect an estimate of the weighted average interest rate the Company would have experienced during the periods presented. The interest rates used were 8.1% in 1995 and 7.3% in first quarter, 1996. These rates represent 3M's historical weighted average rates during these periods as adjusted to reflect the higher cost of borrowing the Company expects to incur on a stand-alone basis. The

interest calculation is based on the Company's estimated non-ESOP debt level expected on or shortly after the Distribution of \$250 million.

(b) Reflects the adjustment to income tax provision (benefit) associated with the change in interest expense described in Note (a).

(c) Represents an adjustment to the income tax provision (benefit) to reflect a valuation allowance for deferred tax assets on a purely separate return basis and the resulting impact on minority interest.

(d) Restructuring charges reduced pro forma results for the three months ended March 31, 1996 by \$10.4 million before taxes and minority interest and \$6.1 million after taxes and minority interest. Pro forma net income for the three months ended March 31, 1996 would have been \$11.7 million, or \$.28 per share excluding these charges. Restructuring charges and asset write-offs reduced 1995 pro forma results by \$166.3 million before taxes and minority interest and \$97.8 million after taxes and minority interest. 1995 pro forma net income excluding these charges would have been \$0.4 million, or \$.01 per share.

(e) Represents the net income (loss) per share on an assumed approximately 42 million shares of the Company's common stock outstanding. This is based on 3M's weighted average number of shares outstanding during first quarter, 1996 of 418.5 million shares and full year 1995 of 419.8 million shares and an assumed distribution of one share of the Company's stock for every ten shares of 3M common stock outstanding.

(f) The historical and pro forma statements of operations reflect minority interests in Japan and Korea since the Company's operations in such countries are presently conducted by 3M through joint ventures in which third parties have minority interests. The Company has an agreement in principle with 3M's joint venture partners in Japan providing for an aggregate minority interest following the Distribution equal to 40%. Accordingly, the Company expects its future statements of operations to continue to reflect minority interests in Japan. In Korea, the Company presently does not expect to have a minority interest partner, however the transfer of the Korean operations to the Company is subject to the approval of 3M's joint venture partner. If this approval is not obtained, 3M and the Company will be required to enter into arrangements which enable the Company to operate in Korea on a basis similar to that being conducted by 3M. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Distribution Agreement." The Company does not believe that the expected future minority interest in Japan or a failure to effect the transfer in Korea would have a material adverse effect on the financial position or results of the Company.

IMATION CORP.
PRO FORMA BALANCE SHEET
AS OF MARCH 31, 1996
(IN MILLIONS)

	HISTORICAL (UNAUDITED)	PRO FORMA ADJUSTMENTS (UNAUDITED)	PRO FORMA (UNAUDITED)
	-----	-----	-----
ASSETS			
Current Assets			
Cash and equivalents		\$ 250.0 (a)	\$ 73.0
		(26.9) (b)	
		(150.1) (c)	
Accounts receivable -- net	\$ 472.2	-- (d)	472.2
Inventories	420.1		420.1
Other current assets	48.1	(1.5) (e)	44.2
		(2.4) (f)	
	-----	-----	-----
Total current assets	940.4	69.1	1,009.5
Property, Plant and Equipment -- net	503.9		503.9
Other Assets	75.7	(18.8) (e)	56.9
	-----	-----	-----
Total assets	\$1,520.0	\$ 50.3	\$1,570.3
	=====	=====	=====
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	\$ 117.0	-- (d)	\$ 117.0
Accrued payroll	52.8		52.8
Other current liabilities	137.2	(17.2) (b)	118.7
		(1.3) (f)	
	-----	-----	-----
Total current liabilities	307.0	(18.5)	288.5
Other Liabilities	91.3	(9.7) (b)	80.2
		(1.4) (f)	
Long-Term Debt		250.0 (a)	280.0
		30.0 (g)	

Equity			
Net investment by 3M	1,121.7	(150.1) (c)	--
		(20.3) (e)	
		0.3 (f)	
		(951.6) (h)	
Common stock		0.4 (h)	0.4
Additional paid in capital		951.2 (h)	951.2
Unearned ESOP shares		(30.0) (g)	(30.0)
	-----	-----	-----
Total equity	1,121.7	(200.1) (i)	921.6
	-----	-----	-----
Total liabilities and equity	\$1,520.0	\$ 50.3	\$1,570.3
	=====	=====	=====

The accompanying notes are an integral part of this statement.

NOTES TO PRO FORMA BALANCE SHEET

(a) Reflects an estimated \$250 million of debt the Company expects to incur for general corporate purposes on or shortly after the Distribution Date. Approximately \$150.1 million of the \$250 million to be borrowed will be used at the time of the Distribution to purchase from 3M certain assets located outside the United States where spin-off transactions will not be consummated and to repay intercompany indebtedness being assumed by the Company in connection with the Distribution, and approximately \$26.9 million will be used to pay certain accrued employee benefits.

(b) Reflects the payment shortly after the Distribution Date of an estimated \$26.9 million to pay certain accrued employee benefits, including approximately \$17.2 million of current liabilities and approximately \$9.7 million of other liabilities.

(c) Reflects the net payment to 3M of an estimated \$150.1 million to purchase certain assets located outside the United States where spin-off transactions will not be consummated and to repay intercompany indebtedness being assumed by the Company in connection with the Distribution.

(d) To provide a more accurate reflection of future financial statements, the pro forma financial statements do not give effect to the retention by 3M of certain trade receivables and payables outside the United States and the agreement by 3M to pay to the Company following the Distribution an amount corresponding to the amount by which such receivables exceed such payables. (See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Distribution Agreement.")

(e) Represents a valuation allowance necessary to reflect deferred tax assets at their estimated realizable value on a purely separate return basis.

(f) Reflects the net deferred tax assets to be realized by 3M upon the Company's purchase of certain assets outside the United States (see Note (c)).

(g) Reflects funds borrowed by the Company and on-lent to the ESOP and the adjustment to the Company's equity resulting from the purchase of outstanding shares of Common Stock by the ESOP which have not been earned by ESOP participants and allocated to their respective accounts.

(h) Reflects the issuance of an estimated 42 million shares of common stock, par value \$.01 per share, as of July 1, 1996. This is based on 3M's common stock outstanding at March 31, 1996 of 418.6 million shares and an assumed distribution of one share of the Company's common stock for every ten shares of 3M common stock outstanding. Additional paid in capital represents the excess of the historical carrying values of the Company's net assets at the Distribution Date over the amount reflected as Common Stock.

(i) No minority interest has been reflected in the historical or pro forma balance sheets. While the Company's operations in Japan and Korea are presently conducted by 3M through joint ventures in which the third parties own minority interests, the Company does not expect to have any minority interest partners as of the Distribution Date. The Company does, however, have an agreement in principle with 3M's joint venture partners in Japan providing for an aggregate minority interest following the Distribution equal to 40%. Accordingly, the Company expects its future balance sheets to reflect minority interests in Japan. In Korea, the transfer of the operations to the Company is subject to the approval of 3M's joint venture partner. If this approval is not obtained, 3M and the Company will be required to enter into arrangements which enable the Company to operate in Korea on a basis similar to that being conducted by 3M. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Distribution Agreement." The Company does not believe that the expected future minority interest in Japan or a failure to effect the transfer in Korea would have a material adverse effect on the financial position or results of the Company.

SELECTED HISTORICAL FINANCIAL DATA

The following selected historical financial data of the Company should be read in conjunction with the historical financial statements and notes thereto included elsewhere in this Information Statement. This selected historical financial data relates to the Transferred Businesses as they were operated as part of 3M. They also include an allocation of certain general corporate expenses of 3M which were not directly related to these businesses. The following selected historical financial data are derived from the historical financial statements of the Company. The selected historical financial data that relate to the three year period ended December 31, 1995 have been derived from the historical financial statements audited by Coopers & Lybrand L.L.P., independent public accountants. The selected historical financial data for the three month periods ended March 31, 1996 and 1995 and for the two year period ended December 31, 1992 have been derived from unaudited historical financial statements. In the opinion of management, the unaudited historical financial statements reflect all adjustments, consisting of normal adjustments, necessary to present fairly the financial position of the Company at March 31, 1996 and the results of operations and cash flows for the three month periods ended March 31, 1996 and 1995 and its financial position at December 31, 1992 and 1991 and the results of operations and cash flows for the years then ended. The historical financial data of the Company may not reflect the results of operations or financial position that would have been obtained had the Company been a separate, independent company. The results of operations for the three month period ended March 31, 1996 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 1996.

SELECTED HISTORICAL FINANCIAL DATA
(DOLLARS IN MILLIONS)

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1996*	1995	1995**	1994	1993	1992	1991
Statement of Operations Data:							
Net revenues	\$ 576.1	\$576.7	\$2,245.6	\$2,280.5	\$2,307.8	\$2,350.0	\$2,319.0
Gross profit	202.3	212.5	724.7	838.5	886.2	885.0	911.0
Selling, general and administrative expense	130.7	137.9	539.4	531.5	529.0	542.0	525.0
Research and development	47.9	56.4	222.4	211.2	216.7	181.0	174.0
Operating income (loss)	13.3	18.2	(148.9)	95.8	140.5	162.0	212.0
Income (loss) before tax and minority interest	10.1	13.0	(166.8)	81.3	127.4	142.0	187.0
Net income (loss)	6.1	7.5	(85.0)	54.3	75.3	94.0	119.0
Balance Sheet Data (as of end of period):							
Total working capital	633.4		658.4	714.0	618.4	608.1	606.7
Property, plant and equipment -- net	503.9		513.2	654.9	642.2	618.5	607.6
Total assets	1,520.0		1,541.5	1,671.7	1,545.6	1,533.9	1,514.7
Total liabilities	398.3		392.8	371.7	345.8	361.7	341.4
Total equity	1,121.7		1,148.7	1,300.0	1,199.8	1,172.2	1,173.3

* Restructuring charges reduced results for the three months ended March 31, 1996 by \$10.4 million before taxes and minority interest and \$6.1 million after taxes and minority interest. Net income for the three months ended March 31, 1996 excluding these charges would have been \$12.2 million. These charges relate to costs for certain employee separation programs.

** Restructuring charges and asset write-offs reduced 1995 results by \$166.3 million before taxes and minority interest and \$88.3 million after taxes and minority interest. 1995 net income excluding these charges would have been \$3.3 million. The majority of these charges related to the write-down of property, plant and equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the separate historical financial statements of the Company, which present the Company's results of operations, financial position and cash flows. These historical financial statements include the assets, liabilities, income and expenses that were directly related to the

Transferred Businesses as they were operated within 3M. In the case of assets and liabilities not specifically identifiable to any particular business of 3M, only those assets and liabilities expected to be owned by the Company after the Distribution were included in the Company's separate balance sheets. Regardless of the allocation of these assets and liabilities, however, the Company's statement of operations includes all of the related costs of doing business, including charges for the use of facilities and for employee benefits, and include an allocation of certain general corporate expenses of 3M which were not directly related to these businesses including costs for corporate logistics, corporate research and development, information technologies, finance, legal and corporate executives. These allocations were based on a number of factors including, for example, personnel, space, time and effort, and sales volume. Management believes these allocations as well as the assumptions underlying the development of the Company's separate financial statements to be reasonable.

The financial information included herein, however, may not necessarily reflect the results of operations, financial position and cash flows of the Company as it will operate in the future or what the results of operations, financial position and cash flows would have been had the Company been a separate, stand-alone entity during the periods presented. This is due, in part, to the historical operation of the Company as an integral part of the larger 3M. The historical financial information included herein also does not reflect the changes that will occur in the operations of the Company following the Distribution.

STRATEGIC REORGANIZATION

The Company historically has operated as part of 3M. Following the Distribution, the Company will be a stand-alone entity with objectives and strategies separate from those of 3M. The Company will focus on providing solution-based products and systems to customers in the information processing industry. In late 1995, the Company initiated a review of all of its operations, including its organizational structure, manufacturing operations, products and markets, with the goal of maximizing its cash flows and improving net income. In connection with this review, the Company has adopted a reorganization plan to rationalize its manufacturing operations, streamline its organizational structure and write off impaired assets.

To reflect the direct and indirect costs associated with this reorganization plan, 3M recognized a loss on disposal which included pre-tax charges of approximately \$340 million in the fourth quarter of 1995 as a part of its discontinued operations charges. The Company will reflect the direct portion of these charges, approximately \$250 million, in its separate financial statements partially in 1995 and partially in 1996 based upon the timing of recognition criteria required for restructuring charges. The Company recorded \$166 million of these charges in its 1995 statement of operations primarily for the write-down of assets associated with its manufacturing rationalization programs. The Company expects to record the remainder in its 1996 financial statements. These costs relate primarily to employee separations for direct employees of the Company.

As a part of the reorganization, 3M announced an expected reduction of approximately 5,000 positions. The Company's direct employee reductions are expected to total more than 1,600 positions and will occur through already announced voluntary and involuntary separation programs and through the completion of the Company's manufacturing consolidation activities. As of May 1, 1996, approximately 850 United States employees have accepted voluntary separation offers. The Company has also announced the closure of one manufacturing facility in the United States, which will result in the reduction of approximately 325 additional employees over the next 12 months. Outside the United States, the Company expects employment reductions of approximately 290 positions through already announced voluntary and involuntary separation programs. Additional future employment reductions will result primarily from the completion of the Company's manufacturing rationalization programs.

The separation costs related to these programs are recognizable in the Company's financial statements when employees accept voluntary separation offers and upon announcement for involuntary separation programs. The first quarter 1996 statement of operations includes \$10.4 million of these restructuring charges. The Company expects to record approximately \$74 million of additional employee separation costs, the majority of which will be recorded in the second quarter of 1996. 3M will fund most of the cash requirements of announced separation programs. See further discussion of these charges in "-- Operating Results."

As of March 31, 1996 the Company had approximately 12,000 direct and indirect employees. This number included positions in factory locations to be transferred to the Company, and in laboratory, engineering, selling, marketing and administrative positions held by direct Company employees. It also included indirect equivalent positions in staff services functions at 3M which have historically provided services to the businesses of the Company. After the Distribution, approximately 1,100 staff services equivalent positions will remain with 3M. In the near term, the costs related to the staff services support provided by these employees will continue to be incurred by the Company through the Corporate Services Agreement. After the Distribution, it is expected that the Company will have less than 10,000 direct employees as a result of the

above actions. The Company believes that this is an appropriate staffing level for the near term.

The Company's overall financial goal is to improve the Company's economic profit (which is measured as operating income after taxes in excess of the Company's cost of capital) by \$150 million by the end of 1998. This goal is based on anticipated cost reductions, improved revenue growth and increased asset utilization resulting from the implementation of the Company's business strategy, including the steps outlined under "--Operating Results -Comparison of Years Ended December 31, 1995, 1994 and 1993." The Company anticipates total cost savings (net of start-up expenses) during the three year period 1996-1998 of \$90 million after taxes; or, on a pre-tax basis, \$30 million in cost savings in 1996, an additional \$70 million in 1997 and an additional \$50 million in 1998. The Company, however, does not expect the reorganization plan to have any meaningful effect on cash flows until 1997, as start-up expenses are likely to offset any cash generated from reduced costs in 1996. Although management believes that this goal is appropriate for the Company, there can be no assurance as to the Company's ability to achieve this goal. See "Forward Looking Statements."

OPERATING RESULTS

COMPONENTS OF NET REVENUE CHANGES

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,								
	THREE MONTHS ENDED MARCH 31, 1996			1995			1994		
	U.S.	INTL.	WORLDWIDE	U.S.	INTL.	WORLDWIDE	U.S.	INTL.	WORLDWIDE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Volume	3%	9%	6%	(1)%	6%	2%	5%	9%	7%
Price	(4)	(7)	(5)	(5)	(7)	(6)	(9)	(8)	(9)
Translation	--	(2)	(1)	--	4	2	--	1	1
Total	(1)%	--%	--%	(6)%	3%	(2)%	(4)%	2%	(1)%

</TABLE>

The following table displays the components of the Company's historical statements of operations as a percentage of total net revenues.

<TABLE>

<CAPTION>

	THREE MONTHS ENDED				
	MARCH 31,		YEARS ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	64.9	63.2	67.7	63.2	61.6
Gross profit	35.1	36.8	32.3	36.8	38.4
Operating expenses:					
Selling, general and administrative	22.7	23.8	24.0	23.3	22.9
Research and development	8.3	9.8	9.9	9.3	9.4
Restructuring charges	1.8	--	5.0	--	--
Total operating expenses	32.8	33.6	38.9	32.6	32.3
Operating income (loss)	2.3	3.2	(6.6)	4.2	6.1
Interest expense and other	0.5	0.9	0.8	0.6	0.6
Income (loss) before tax and minority interest	1.8	2.3	(7.4)	3.6	5.5
Effective income tax rate (% of pre-tax)	41.0	42.3	(42.3)	36.0	40.7
Net income (loss)	1.1%	1.3%	(3.8)%	2.4%	3.3%

</TABLE>

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1996 AND 1995

Net revenues in the first three months of 1996 were essentially equal to the level during the same period in 1995. Volume increases of 6 percent were substantially offset by price declines of 5 percent. Net revenues in the United States declined 1 percent with a volume increase of 3 percent being more than offset by pricing declines. Outside the United States, volume increased 9 percent. Price declines of 7 percent and a 2 percent negative effect of changes in currency exchange rates offset these volume increases.

Gross profit in the first quarter of 1996 was 35.1 percent of revenues, down 1.7

percentage points from first quarter 1995. This decline was primarily due to the effect of lower selling prices, only partially offset by volume increases, productivity benefits and other factors.

Selling, general and administrative expenses were 22.7 percent of revenues in the first three months of 1996, down 1.1 percentage points from the same period in 1995. The majority of this decline was in sales related costs which were down approximately \$5.0 million.

Research and development costs totaled \$47.9 million or 8.3 percent of revenues in the first three months of 1996, down \$8.5 million and 1.5 percentage points from the same period in 1995. The higher level of spending in 1995 reflects investments made in a number of the Company's new products which came to market during 1995 and early 1996.

The Company recorded restructuring charges of \$10.4 million in the first quarter of 1996 reflecting costs for certain voluntary separation programs which were recognized based on the number of employee acceptances of separation offers during the quarter ended March 31, 1996 in accordance with the applicable accounting rules.

Operating income for the first three months of 1996 was \$13.3 million but would have totaled \$23.7 million or 4.1 percent of revenues excluding restructuring charges. This represents a \$5.5 million increase from operating income in the same period in 1995 which totaled \$18.2 million or 3.2 percent of revenues.

Excluding restructuring charges, income before taxes and minority interest was \$20.5 million in 1996, improved by \$7.5 million from the three month period ended March 31, 1995. This resulted from a lower effective interest rate in 1996.

The Company's effective tax rate was 41.0 percent, down from 42.3 percent in the first quarter of 1995. This decrease was due primarily to a shift in profits to lower tax jurisdictions.

Net income in the first quarter of 1996 was \$6.1 million, and would have totaled \$12.2 million or 2.1 percent of revenues excluding restructuring charges. This represents an increase of \$4.7 million and 0.8 percentage points from the same period in 1995.

COMPARISON OF YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

Net revenues in 1995 and 1994 declined 1.5 percent and 1.2 percent, respectively. These declines resulted primarily from the effects of downward pricing pressures which exceeded the Company's volume growth in both 1995 and 1994, especially in the United States. See Note 8 to NOTES TO HISTORICAL FINANCIAL STATEMENTS for the Company's revenues by classes of similar products or services.

Approximately 50 percent of the Company's net revenues in 1995 were from sales outside the United States, which is up from just over 47 percent in 1994 and 46 percent in 1993. This trend is expected to continue in future years. In the Company's international operations, volume rose 6 percent in 1995 and 9 percent in 1994. In both 1995 and 1994, these volume gains were substantially offset by price declines. Changes in currency exchange rates positively impacted international net revenues by 4 percent in 1995 and 1 percent in 1994.

United States net revenues declined 6 percent in 1995 and 4 percent in 1994, driven by price declines in both years. Volume declined slightly in 1995, after having grown 5 percent in 1994.

Gross profit in 1995 was 32.3 percent of revenues, representing a 4.5 percentage point decrease from 1994. This decrease was primarily due to the effect of lower selling prices and the portion of special charges included in cost of goods sold noted below. In 1994, gross profit was 36.8 percent of revenues, representing a 1.6 percentage point decrease from 1993. In this period, the negative effects of price declines were only partially offset by volume increases and other factors.

Selling, general and administrative expenses were 24.0 percent of revenues in 1995, as compared to 23.3 percent in 1994, and 22.9 percent in 1993. These increases were primarily due to the decline in the revenue base. Spending in dollars has been relatively flat during the past three years, reflecting cost control and productivity improvements, and is expected to decline as a percentage of revenues in the future.

Research and development expenses in 1995 were 9.9 percent of revenues, up from 9.3 percent and 9.4 percent in 1994 and 1993, respectively. In 1995, this represented an \$11.2 million increase over 1994 spending and reflects investments in a number of the Company's promising new products including Travan(tm) high-capacity data cartridges, LS-120 diskettes, the new family of Rainbow proofing systems and DryView(tm) imagers. Management intends to continue its strong focus on research and development, while controlling the related costs through prioritized spending. Management expects expenditures for research and development to decline as a percentage of revenues in the future.

The Company recorded special charges of \$166.3 million (\$88.3 million after taxes and minority interest) in its 1995 financial statements. Of these charges, \$111.8 million relate to world-wide manufacturing rationalization programs to exit less profitable manufacturing locations and to centralize manufacturing in the United States and in Italy. The \$111.8 million charge is included as a separate restructuring charge in the statement of operations. The remaining special charge of \$54.5 million primarily relates to asset write-offs included in cost of goods sold.

The operating loss for 1995 totaled \$148.9 million. This loss was driven by the special charges discussed above. Excluding these charges, operating income would have been \$17.4 million, representing a decline of \$78.4 million from 1994 operating income which totaled \$95.8 million. This decline primarily reflects the factors affecting the lower gross profit as discussed above, and to a lesser extent the increase in research and development spending. In 1994, operating income declined \$44.7 million as a result of the factors affecting gross profit as discussed earlier and to a lesser extent by the lower overall revenue level.

Non-operating expense (primarily interest expense allocation from 3M) totaled \$17.9 million, \$14.5 million and \$13.1 million in 1995, 1994 and 1993, respectively. The increases are due to 3M's rising effective interest rates over the three year period. The allocation methodology for interest expense is more fully discussed in Note 6 of the NOTES TO HISTORICAL FINANCIAL STATEMENTS.

The Company's effective tax rate was 42.3, 36.0 and 40.7 percent of pre-tax income for 1995, 1994 and 1993, respectively. The lower effective rate in 1994 was primarily the result of tax benefits recognized in the Company's Italian operations. See Notes 2 and 5 of the NOTES TO HISTORICAL FINANCIAL STATEMENTS.

In 1995, minority interest (primarily in Japan) increased to \$11.3 million compared to \$2.3 million in 1994. This change is primarily the result of the portion of restructuring charges which related to the Company's operations in Japan.

The 1995 net loss totaled \$85.0 million or 3.8 percent of revenues. 1995 net income excluding special charges would have totaled \$3.3 million or 0.1 percent of revenues, down from \$54.3 million or 2.4 percent of revenues in 1994.

In order to reverse the historical decline in revenues and gross profits described above, the Company intends to implement its business strategies (See "BUSINESS AND PROPERTIES OF THE COMPANY"). Key factors in reversing this trend are expected to be (i) anticipated increased sales for key new products (including Travan(tm), DryView(tm) imagers, LS-120 diskettes and new models of Rainbow color proofing systems) which were introduced commercially in late 1995 or early 1996, (ii) the Company's ability to sell a broader range of the Company's products to existing customers, (iii) the Company's success in market penetration in areas of the world where the Company has a limited market position, (iv) the Company's ability to consolidate factories to increase efficiencies and (v) the Company's success in refining product portfolios to focus on more profitable business opportunities.

Generally, outside the United States, the Company will be relocating employees, systems and inventory out of 3M facilities. By country, this will occur at various times over the next year. Sales, marketing and administrative personnel will be moving to leased facilities in all countries except the United Kingdom, Italy and Canada, where most personnel will be located in Company-owned facilities transferred from 3M. Initially 3M will provide systems support services in all countries. It is anticipated that independent Imation supported systems will gradually replace these 3M systems support services over the next 18 months. Inventory will generally be moved to third-party warehouse providers by July 1, 1997.

It is the Company's intention to continue expanding market penetration globally. Recently, sales of DryView(tm) and Travan(tm) products have commenced in Europe and many other countries. These new products as well as existing products will be supported by the Company personnel residing in these local markets. In some countries, 3M will continue to provide selling assistance for Company products through local sales agency agreements.

PERFORMANCE BY GEOGRAPHIC AREA

UNITED STATES

In 1995, United States net revenues totaled \$1,128.8 million down 6 percent from \$1,199.9 million in 1994. Volume declined approximately 1 percent and selling prices decreased approximately 5 percent, for a total revenue decline of approximately 6 percent. Operating income in 1995 decreased by \$170.5 million from 1994. Adjusted for the special charges discussed above, operating income decreased \$70.7 million in 1995. United States results were adversely affected by price declines, higher raw material costs, lack of volume growth and adjustments in production to reduce inventory levels. Employment levels were reduced by approximately 500 people at December 31, 1995 as compared with the levels at December 31, 1994. Inventories were reduced by approximately \$34 million in 1995 as compared to December 31, 1994.

EUROPE, MIDDLE EAST AND AFRICA

Net revenues totaled \$803.8 million in 1995, up 5 percent from \$764.1 million in 1994. Volume increased almost 5 percent, selling prices declined approximately 7 percent, and changes in currency exchange rates positively impacted revenues by approximately 7 percent. Excluding special charges in Europe, which reduced 1995 operating results by \$20.4 million, profits would have increased 4.5 percent to \$76.2 million. The Company's manufacturing structure in Europe is expected to be further reduced in 1996.

LATIN AMERICA, ASIA AND CANADA

Net revenues declined by approximately 1 percent in 1995 to \$313 million, entirely driven by changes in currency exchange rates. The devaluing rates of exchange in Latin America more than offset the gains recognized in Asia Pacific. Changes in volume and selling prices offset each other with local currency revenues flat. Operating income declined by approximately \$11 million, after excluding \$46.1 million in special charges. The majority of this income decline occurred in Asia Pacific, where the results were adversely impacted by the underutilization of a magnetic tape coater in Japan and the high costs of producing products in that country. Sales and marketing programs were scaled back to reduce volume growth given the high production costs. The Company discontinued the use of this equipment in the first quarter of 1996 and changed the source of supply to a facility in the United States with lower costs.

FINANCIAL POSITION

The Company had 3.4 months of inventory on hand at March 31, 1996 and at December 31, 1995, a decline from 4.0 months at the end of 1994. The accounts receivable days sales outstanding was 75 days at March 31, 1996, down from 78 days at December 31, 1995, which was up from 76 days at December 31, 1994.

The book value of property, plant and equipment at March 31, 1996 was \$503.9 million, a slight decrease from \$513.2 million at December 31, 1995. The balance at December 31, 1995 reflected a decline of \$141.7 million from year-end 1994. The majority of this decline, \$128 million, is attributable to the special charges discussed above. The increase in other assets of \$54.5 million was driven by the increase in deferred income taxes of \$57.4 million. This increase in deferred tax assets resulted from the special charges, which for the most part, were not yet deductible at December 31, 1995 for income tax purposes. Management believes the Company, or in certain cases 3M prior to the Distribution, will generate sufficient taxable income in future periods to fully recover these deferred tax assets based on the Company's implementation of the actions discussed under " -- Strategic Reorganization" and "BUSINESS AND PROPERTIES OF THE COMPANY -- Business Strategy." Also see NOTES TO PRO FORMA BALANCE SHEET, item (e) regarding establishing deferred tax valuation allowance on a purely separate return basis.

LIQUIDITY

3M uses a centralized approach to cash management and the financing of its operations. As a result, cash and equivalents and debt were not allocated to the Company in the historical financial statements. The Company's historical financing requirements are represented by cash transactions with 3M and are reflected in "Net Amount (Paid to) Received From 3M," as described in Note 7 of the NOTES TO HISTORICAL FINANCIAL STATEMENTS. This financial support will be discontinued following the Distribution. See "SPECIAL FACTORS -- Absence of 3M Financial Support."

Cash provided from operating activities was \$256.8 million in 1995, \$170.1 million in 1994, and \$229.2 million in 1993. The major non-cash item is depreciation, which ranged between \$184.4 million and \$189.5 million per year during this period. Working capital and related cash requirements increased \$85.6 million in 1994 and \$25.6 million in 1993, while in 1995 working capital and related cash requirements decreased by \$52.0 million.

The Company is developing, and expects to have in place by July 1, relationships and systems and staffing for a corporate currency management program to monitor and centrally manage currency exposures. In connection with this currency management program a variety of financial instruments will be employed, including but not limited to foreign exchange forward contracts, currency options and futures.

Investing activities, mainly capital expenditures, utilized cash provided by operations in the amounts of \$187.5 million in 1995, \$179.7 million in 1994 and \$210.2 million in 1993. These investments were made to help meet growing global demand for the Company's products, to improve manufacturing efficiencies and to establish manufacturing operations for key new products. Over the past two years, \$74.6 million of these expenditures related to new products which were commercialized in late 1995 and early 1996, including DryView(tm) medical imagers, Travan(tm) high-capacity data cartridges and LS-120 diskettes. Excluding one-time start up costs, management intends to maintain annual capital expenditures in the range of \$140 to \$170 million per year for the next several

years.

The Company generated cash flows before financing activities with 3M of \$72.9 million in 1995, and \$13.1 million in 1993, while using \$18.5 million in 1994, a year in which the growth in inventory and accounts receivable more than offset reductions in capital expenditures. In 1995, improvements in working capital (primarily accounts receivable, inventories and accounts payable) generated approximately \$52.0 million in increased cash.

During the three months ended March 31, 1996 the Company generated cash flows before financing activities with 3M of \$27.0 million while using \$13.4 million for the same period in 1995. The improvement in the first quarter of 1996 reflects reduced levels of inventory coupled with somewhat lower capital spending in 1996.

Following the Distribution, the Company expects its operations, exclusive of contemplated borrowings, to generate sufficient funds to meet the Company's operating needs for the 12 month period following the Distribution, including capital expenditures. It is expected that additional progress in reducing working capital needs will be achieved by re-engineering the Company's worldwide supply chain and information technology systems. The components of the supply chain include all operations of the Company from procurement of raw materials through manufacturing and delivery of products to the Company's customers, and the collection of accounts receivable.

Prior to the Distribution, the Company did not have any cash flows from financing activities outside of 3M. Following the Distribution, the Company will rely on internally generated funds and, to the extent necessary, the borrowing of funds from third party sources. The Company anticipates that on or prior to the Distribution Date, it will borrow approximately \$280 million under the Credit Facility to be negotiated with a syndicate of banks, which also will allow the Company to borrow additional amounts for working capital purposes. Approximately \$150.1 million of the \$280 million to be borrowed will be used at the time of the Distribution to purchase from 3M certain assets located outside the United States and to repay intercompany indebtedness being assumed by the Company in connection with the Distribution, approximately \$26.9 million will be used to pay certain accrued employee benefits, approximately \$30 million will be on-lent to the ESOP as described in the next paragraph, and the remainder will be retained for working capital purposes. The Company believes that the cash available under the Credit Facility, together with cash generated from operations, are sufficient to meet the Company's anticipated funding requirements.

The Company will establish an employee stock ownership plan (the "ESOP") which will be leveraged by a loan from the Company and is expected to lead over time to employee stock ownership (directly or beneficially) of approximately 4 percent of the Company's outstanding shares. At the time of the Distribution or shortly thereafter, the Company will lend approximately \$30 million to the ESOP with which the ESOP will purchase shares of Common Stock. The Company intends annually to contribute funds to the ESOP in order to repay the loans, and to satisfy the Company's obligation to make matching contributions in respect of employee salary deferrals and other performance based contributions.

On the Distribution Date, the Company is expected to begin independent operations with a ratio of total debt to total capital of approximately 20 percent excluding the effects of the ESOP. The Company also expects to begin operations with approximately \$73 million in cash, \$50 million of which will be borrowed under the Company's Credit Facility, to satisfy the Company's initial working capital requirements.

In connection with the Distribution, the Company and 3M will enter into a transition agreement relating to the collection of accounts receivable and payment of accounts payable. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Corporate Services Transition Agreement." The objective of this approach is to minimize the impact of the transition on customers and suppliers and it is not expected to have any material impact on the financial position or cash flows of the Company.

FUTURE OUTLOOK

1996 will be a year of transition for the Company, both in business operations and financial returns. The Company believes its continued worldwide leadership in developing data storage technologies, strong position in high quality color proofing for the printing industry and strong history of leadership in medical imaging for the health care industry along with strong worldwide distribution coverage will offer significant opportunities to help achieve its goals. The Company will be implementing a comprehensive re-engineering of its operations. Some components of this re-engineering will be completed in 1996 and others in 1997 and beyond.

Examples of the actions contemplated include (i) the consolidation and rationalization of manufacturing organization by reducing the number of facilities operated by the Company, by consolidating similar operations in one facility, by consolidating purchasing to take advantage of volume purchasing, by

utilizing just-in-time purchasing and by managing the manufacturing process to reduce inventories of finished goods by attempting to anticipate demand for various products, (ii) encouraging cooperation between research and development teams and the manufacturing units, thereby encouraging the development of technologies and products which provide solutions to customers' problems, (iii) aggressively cross-marketing the Company's existing products to customers of one of the Company's products and (iv) motivating employees through the linkage of compensation to the financial results of the Company (See "BUSINESS AND PROPERTIES OF THE COMPANY -- Business Strategy"). The Company expects that these actions will improve productivity and market share, reduce costs and facilitate sustainable revenue growth, thereby improving the Company's financial performance and results of operations.

At the same time, the Company will be faced with the challenges of establishing operations as an independent public company. These activities are expected to result in one-time cost increases which will occur during 1996 and 1997. Management is currently developing its plans for the start-up, but at this time expects that the most significant changes will occur in the areas of systems and logistics. For a transitional period, it is expected that 3M will provide many of these services and that stand-alone operations should be in place by the end of 1997.

The Company intends to achieve its goals through the training and dedication of its work force, extensive efforts to enhance its relationships with customers and suppliers and the continued use of certain 3M trademarks during a transition period. In addition, the Company's management team is experienced and familiar with this industry and its opportunities and will be developing a strong new identity tied to the Company's specific industry. This background combined with their new roles should allow them to provide the Company with the necessary leadership to meet these challenges.

The Company has established as a goal achieving an annual earnings per share growth rate of at least 15% per year. While the management of the Company believes that this rate is an appropriate goal for the Company, there can be no assurance as to the Company's ability to achieve this goal or as to the timing thereof. See "Forward Looking Statements."

FORWARD LOOKING STATEMENTS

Certain information, other than the historical information, discussed in this Information Statement (including in "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS"), may constitute forward looking statements and as such may involve risks and uncertainties. Important factors which may cause actual results to differ from the forward looking statements contained herein or in other public statements by the Company are described in the section entitled "SPECIAL FACTORS," including, in particular, the Company's ability to implement successfully its reorganization plan and future business strategy. See "SPECIAL FACTORS -Absence of History as an Independent Company."

BUSINESS AND PROPERTIES OF THE COMPANY

OVERVIEW

The Company develops, manufactures and markets a wide variety of products and services worldwide for information processing, specializing in data storage and imaging applications. The Company's products, which number in excess of 10,000, are used to capture, process, store, reproduce and distribute information and images in a wide range of information-intensive markets, including enterprise computing, network servers, personal computing, graphic arts, photographic imaging, medical imaging, and commercial and consumer markets. The Company offers solutions for both conventional/analog and proprietary digital work processes for the information processing industry.

The breadth of the Company's product lines, the Company's worldwide leadership position in a number of product classes and its global distribution network serve to differentiate the Company from its competitors. The Company's focus is global in nature, with nearly half of its revenues derived internationally and expectations for this percentage to grow over time. The Company's major products, classified by customer application are shown below.

<TABLE> <CAPTION> INFORMATION PROCESSING, MANAGEMENT AND STORAGE APPLICATIONS ----- <S>	INFORMATION PRINTING APPLICATIONS ----- <C>	MEDICAL AND PHOTO IMAGING APPLICATIONS ----- <C>
* Computer diskettes * Data cartridges and Travan(tm) cartridges * Computer tapes * Rewritable optical media * CD-ROM replication services	* Conventional color proofing * Digital color proofing * Printing plates * Image setting and graphic arts products * Carbonless paper products	* Laser imaging products * Laser imagers * X-ray film * "Dry" imaging products * Film processors * Photographic film products

INFORMATION PROCESSOR SERVICE APPLICATIONS

- * Technical field service support for equipment
- * Customer service, documentation and training for equipment
- * Engineering and office document systems

As part of 3M, the Transferred Businesses have developed leadership positions in a number of markets serving the information processing industry, which the Company believes can serve as platforms for future growth. For example, the Company:

- * is the world's largest supplier of branded removable magnetic and optical media;
- * is one of the world's largest suppliers of color proofing systems to the graphic arts industry, with a number of its Matchprint(tm) and Rainbow products serving as industry standards;
- * was the first to develop the new, widely-used laser imager for medical imaging applications, with an installed base of over 7,000 imagers;
- * is one of the world's largest suppliers of private label film for the amateur photography market; and
- * introduced in 1995 and expects to introduce in 1996 several innovative products with significant market potential, including the Travan(tm) high capacity data storage tape cartridges, the new family of Rainbow proofing systems, a new line of DryView(tm) imagers, medical imaging delivery systems developed under an alliance with Cemax/Icon and Hewlett-Packard, and a 120 MB 3.5 inch diskette, the LS-120 diskette, which has been developed with Compaq Computer Corporation and MKE.

INDUSTRY BACKGROUND

The information processing industry is concerned with the creation, capture, manipulation, storage, production and distribution of information. Information may exist in the form of numbers, text, sound, graphics, photos, videos or other images. Users may view and store this information in an analog format, such as hard copies. Increasingly, however, information is converted to a digital format for more efficient handling, processing, storage and distribution. Digital technologies provide much needed information processing solutions as users are required to use, manage and store more complex information in less time, with less resources and with greater accuracy. Methods of transporting and accessing data are dramatically increasing due to software developments, networking and the development of the World Wide Web.

Data storage technologies provide users with solutions specific to the particular users' needs in storing, managing and accessing digital information. Removable data storage technologies, such as those offered by the Company, provide a wide range of solutions that provide users with the benefits of expandable storage capacity, data transportability, data management, data security and the flexibility to enhance data utilization and which are not confined to component status as is fixed rigid disk storage.

Removable data storage solutions, based on digital technologies, are used in applications across all computing platforms -- enterprise systems, network servers, desktop systems and mobile computing. International Data Corporation ("IDC") has estimated that there are over 150 million computer systems in use worldwide that use removable data storage technologies. Removable data storage technologies are used in a variety of applications including graphic imaging, video imaging, medical diagnostics, communications systems and consumer entertainment electronics. Overall, the data storage solution market is growing at double digits annually, with Asia, Latin America and Eastern Europe leading this growth, although there is significant price competition. Customer demand for these solutions is multiplying at an ever increasing pace due to the enhanced enabling software that increases the applications and usage rates and the developing need by customers to manipulate, store and protect even larger data bases. The need for convenient digital storage solutions is also accelerating as people gain access to information of all types from many sources, including the Internet and the World Wide Web. Increasingly, end users want to download files and information for later use. As the number of Internet users grow and the variety of information increases, the demand for portable, cost-effective data storage and output media also will grow. This is true in both commercial and consumer markets.

Imaging technologies also have been profoundly impacted by advancements in digital technologies as many users begin to convert their conventional/analog processes to proprietary digital processes to capture, create, manipulate, process, transmit and store still and moving images. Conventional/analog technologies rely upon chemical or electrical processes which capture information onto paper, film or other media by reacting to external stimuli.

Digital technologies have significantly increased the amount of information that can be used, managed and stored and have reduced the need for film and chemicals in the imaging process. Many work processes in use today are hybrid systems in which organizations continue to use conventional materials for certain processes in their work flows utilizing the speed of digital processing.

Medical diagnostic imaging is an example in which proven X-ray films exist side by side with high tech magnetic resonance imaging ("MRI") and computed tomography ("CT") scanning systems. Today, an active mid-size hospital or diagnostic imaging center may generate ten to twelve gigabytes of electronic information daily from its scanning devices. More than 90% of this information will be converted to film for viewing and storage in the diagnostic process.

Printing and publishing applications similarly have experienced a blending of analog and digital work processes. Virtually all text and images used in graphic arts processes today are converted to electronic or digital form early in the work process and are later reconverted to film or lithographic plates for high quality reproduction on traditional printing presses. Images and pages may be captured photographically or electronically in a variety of formats including removable data storage. Those that are captured in digital format allow for more efficient processing and management. The information also may be used in the production of high quality CD-ROMs for multi-media applications, distributed to digital printers and copiers for reproduction, or used in the production of images and pages for distribution over the Internet.

As discussed above, because digital processes are more efficient than alternative technologies in the imaging and information processing industries, the Company believes the use of digital technology is increasing. In 1994, digital technologies accounted for approximately 54% of the Company's revenues. The Company expects digital technologies to increase to approximately two-thirds of revenues over the next two years. As the amount of information generated each day increases, the need for efficient methods of data storage and manipulation is increasing.

For example, in medical and photo imaging applications, the Company estimates that a typical 400 bed hospital utilizing Computed Tomography, MRI, ultrasound and nuclear medical technology will require between four and nine gigabytes of new digital storage per day, along with associated recording, distribution and imaging equipment. In information and printing applications, the Company expects that the current mixture of digital and analog processes will continue to become more reliant on digital technologies as such technologies become more efficient.

The Company believes that, starting from its base of products which are currently used in these applications, it will be able to introduce new digital products which will replace analog processes now used in these customer applications. The Company believes that it has the technology, products and strong customer relationships to take advantage of this opportunity.

Because the Company has existing technologies, products and customers in these applications, the introduction of new digital technologies in these areas is not expected to require major additional investments. The Company does anticipate, however, entering into strategic alliances with other companies to complement its existing technologies, as and when appropriate. The Company believes that new digital applications and products for its existing customer base, along with opportunities to enter into new markets not currently served by the Company, will give the Company the benefit of additional revenues in both the short term and the long term.

BUSINESS STRATEGY

The Company believes that the advancements in digital technology transforming the information processing industry are creating opportunities for the Company. The Company intends to utilize its research and development capabilities, its solid technology platforms, its well established product lines and its strong customer relationships to enhance its position as a leader in the information processing industry, providing innovative, cost-effective system solutions to its customers' information processing needs. To achieve its objectives, the Company intends to focus on the following elements.

* **REFINING PRODUCT PORTFOLIO** -- Included in the Company's 1995 special charges were costs associated with existing lines of business which the Company believes will not satisfy its goal of profitable growth and generating cash flows. Following the Distribution, the Company will continue to examine intensively its product portfolio and make adjustments when necessary to insure that all of its resources are focused on the Company's objective of consistent, profitable growth. Resources freed from less profitable product lines will then be available for new business growth opportunities.

* **STREAMLINING OPERATIONS AND REDUCING COSTS** -- The Company recently has taken a number of steps to streamline its operating structure and reduce operating costs, including reducing its employment levels by offering various voluntary separation plans to its employees. In addition, the

Company has decided to consolidate various manufacturing facilities and has commenced preparations to close or downsize certain facilities and utilize efficient outsourcing. Following the Distribution, the Company will continue its efforts to streamline its management structure, consolidate administrative functions and facilitate communications among various parts of the organization so as to enable the Company to respond quickly to the rapidly changing needs of its customers. In this regard, the Company intends to intensively review the alternatives for further improving its manufacturing, sales and distribution activities, both from a customer responsiveness and a cost effectiveness point of view, with a goal of reducing costs, improving profit margins and facilitating fast paced decision making, so as to better enable the Company to respond quickly to the rapidly changing needs of its customers.

- * EXPANDING CUSTOMER FOCUS -- The Company will focus on understanding the information processing challenges of both its existing and potential customers. By utilizing its core competencies in product development, as well as database marketing and electronic interactive communications, the Company will strive to provide more timely solutions tailored to each customer's needs, thereby enhancing its opportunities for growth and its ability to satisfy its current large customer base. The goal of the Company is to be perceived by its customers as responsive and committed to their needs.
- * IMPROVING CASH FLOWS -- An improved focus on cash flows is a critical component of the Company's strategy for future growth and diversification. To achieve this objective, the Company will instill in its employees a strong focus on cash flow management and educate them regarding how their actions and decisions impact the Company's cash flows. In this regard, the Company has begun to take a number of actions, including: (i) revising financial measurements to focus on cash flows management, including adoption of the concept of "Economic Profit" (the measurement of income from operations after tax and after deducting interest and a return to shareholders), and using such measurements as a factor in determining employee compensation, (ii) adjusting the evaluation process for capital expenditures to focus on the near term cash return, reflecting the short life cycle of the Company's high technology products, and (iii) recognizing the cash impact of reducing working capital by re-engineering the entire supply chain process (the period of time from the procurement of raw materials, through manufacturing and delivery of the Company's products to its customers, and finally to the receipt of payment from the customer), and establishing one organization within the Company to focus on reducing this "cycle time." The Company is confident that these and other steps to be taken in the future will result in improved cash flow.
- * EXPANDING INTERNATIONAL OPERATIONS -- The Company believes that there are significant growth opportunities outside the United States. Accordingly, the Company intends over the next several years to seek to take advantage of these opportunities for growth by expanding its international operations. A key strength of the Company lies in its global distribution and sales network, and its long-standing relationships with multi-national customers which will facilitate this expansion. The Company has streamlined management of its international operations and has organized those operations into two key areas, Europe/Middle East/Africa and Latin America/Asia/Canada. Global growth strategies will be driven through these two focused organizations.
- * CAPITALIZING ON PROPRIETARY TECHNOLOGIES TO PROVIDE CUSTOMER SOLUTIONS -- The Company has significant proprietary technologies in information processing. While part of 3M, the Company acquired hundreds of patents, which are assigned or exclusively licensed to the Company by 3M in certain fields of use. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Intellectual Property Agreement." Following the Distribution, the Company will continue to focus significant efforts on the development of new products utilizing these core technologies and systems. As described in the section entitled "BUSINESS AND PROPERTIES OF THE COMPANY -- Customer Applications," the Company has been successful in this regard in recent years with the introduction of its DryView(tm) and Travan(tm) branded products. In addition, the Company intends over time to increase the development of new products designed to help position itself as a provider of comprehensive, integrated solutions to the information processing industry. As part of its strategy, the Company also intends to explore the acquisition of new technologies through strategic alliances, acquisitions or licensing.
- * ENCOURAGING EMPLOYEE STOCK OWNERSHIP -- A key strategy and objective of the Company is encouraging and increasing employee stock ownership as an incentive toward consistent, profitable growth. The Company believes that this will help drive cost reductions, quality improvement and growth leading to achievement of Company objectives. As described under "MANAGEMENT OF THE COMPANY -- Retirement Investment Plan," an employee

stock ownership plan will be implemented which is expected to lead over time to employee stock ownership (directly or beneficially) of approximately 4 percent of the Company's outstanding shares.

CUSTOMER APPLICATIONS

The Company's products are market leaders in the conventional/analog processes for recording, manipulation and storage of data and images. While these established products generate a substantial portion of the Company's revenues, the Company seeks to leverage its existing market positions and to continually develop and market new products and solutions to serve the changing needs of its customers. With the industry's evolution to information processing systems based on digital technologies, the Company is focusing its efforts on developing solution-based products utilizing proprietary digital technologies and providing more complete solutions to its customers' information processing needs. Set forth below is a description of the products and services presently offered by the Company. See Note 8 to NOTES TO HISTORICAL FINANCIAL STATEMENTS for the revenues derived from each class of products.

INFORMATION PROCESSING, MANAGEMENT AND STORAGE APPLICATIONS

The Company is the world's largest supplier and developer of branded removable data storage media, in both magnetic and optical formats. It is recognized as the worldwide preferred supplier, based on its reputation for reliability and convenience. The Company also is a supplier of CD-ROM replication and software services provided to software developers. The Company's products include:

- * Diskettes (3.5 inch, 5.25 inch and 8 inch) used for personal file storage, for backup and for exchange of data. Diskettes are used primarily in desktop and mobile personal computer systems, and also in workstations, word processors and computer control equipment. In April, the Company began shipment of a 120 MB 3.5 inch diskette, the LS-120 diskette, which provides 80 times the storage capacity of a standard diskette. The LS-120 diskette has been developed as part of the Laser Servo 120 MB program in which the Company, Compaq Computer Corporation and MKE are co-development partners. Under the present arrangement between the parties, Compaq markets computer systems which incorporate LS-120 drives manufactured by MKE and which may include a Company brand LS-120 pack-in diskette and a coupon towards the purchase of additional LS-120 diskettes.
- * Data cartridge and Travan(tm) cartridge products used for backup of data from hard disk storage systems and for applications in which large volumes of information that do not need to be retrieved on a frequent basis. Travan(tm) cartridges more than double the storage capacity of the prior mini-cartridge, which is the most popular tape cartridge storage media today. Used primarily on desktop personal computer systems, local area networks and workstation computer systems, the Travan(tm) cartridges make up a family of innovative products that were introduced in 1995 through the joint efforts of 3M, Sony and a group of drive manufacturers. 3M has maintained, and following the Distribution the Company will continue to maintain, relationships with these and other companies regarding the production and joint marketing of compatible drives and cartridge storage media and the development of future versions of the technology.
- * Computer cartridge tapes used for near-line data storage and retrieval, mass storage and archival storage of data. Large cartridge tapes are used primarily on enterprise computer systems and in data library systems that store very large volumes of data. The smaller 4 mm and 8 mm cartridges are used primarily in workstations and mid-size computer systems and networks for backup and other data storage applications.
- * Rewritable optical disks including magneto-optical (90mm and 130mm), phase change disks and CD recordable disks used for the storage of data and images on personal computers, workstations and local area networks. These disks are also used in library systems for mid-range computer installations.
- * CD-ROM products are produced on a made to order basis and are used for the distribution of data and software to the personal computer and mid-range markets.

INFORMATION AND PRINTING APPLICATIONS

The Company manufactures and markets products and provides service and technical support for the printing, publishing and graphic arts markets. Its diverse product line includes conventional color proofing systems, digital color proofing systems and software, digital storage systems, laser films and image setting materials, metal and polyester printing plates, graphic arts films, photographic chemicals and miscellaneous supplies. The Company also markets carbonless paper products, such as multi-part business forms. The Company has strong leadership positions in certain product areas, including the Matchprint(tm) color proofing system, an industry standard for more than 20 years. More recently, the Rainbow color proofing system, which provides color proofs from digital data before a job is put on a printing press, also has

established a leadership role, winning both industry awards and acceptance as the digital proofer of choice among many graphic arts professionals.

The Company's printing and publishing systems products are marketed globally, with approximately 40 percent of its business derived from outside the United States. This percentage is expected to grow in future years.

Products designed for printing and publishing applications are changing rapidly in association with the digital/electronic communication revolution in the information processing industry. This "digitization" of the image reproduction process has greatly affected the work methods and work flow of many of the Company's customers. Although short-run color print jobs are on the rise and conventional lithographic printing will continue, in the Company's judgment, to exist well into the next century, rapid changes are occurring in the pre-press area of the graphic arts work processes. Desktop workstations, the acceptance of digital proofing and the emergence and growth of "filmless" and chemical-free (thus, environmentally attractive) printing processes all serve to streamline the graphic arts process. The Company believes it is well-positioned to take advantage of the industry transformation to digital systems. In addition to the products mentioned above that carry leadership roles, the Company has the technologies, color science expertise and industry relationships to aggressively pursue emerging opportunities.

MEDICAL AND PHOTO IMAGING APPLICATIONS

The Company develops, manufactures and markets diagnostic imaging film, film processors and imaging systems for both X-ray and electronic imaging systems. The Company participates in the conventional X-ray film market and is the world's leading supplier of high-quality laser imagers for producing medical diagnostic images directly from MRI, CT, ultrasound, nuclear and other electronic systems, with more than 7,000 laser imagers installed worldwide. In December 1995, the Company announced a new line of DryView(tm) laser imagers that produce high-quality film images without using standard wet chemistry through a specially designed photothermographic process. Since no wet chemistry is involved, the DryView(tm) laser imagers represent a significant technological breakthrough and offer significant cost savings, productivity gains and environmental benefits to the health care industry. Through a strategic alliance among the Company, Hewlett-Packard and Cemax-Icon, hardware and software solutions are provided to clients that help them manage, distribute and archive their medical images. Under the alliance, the Company sells its DryView(tm) product and other medical imaging equipment and Hewlett-Packard supplies its computer hardware stations to Cemax-Icon which redistributes such products on an integrated basis with its own software products. This is an example of linking newly developed imaging solutions based on the Company's technology platforms with the expanding requirements for digitization and information access.

The Company's customers include major hospital network buying groups as well as individual hospitals and medical imaging centers. Hospital administrators and materials managers, radiology administrators and radiologists represent the key customer decision makers. Geographically, approximately 40% of the Company's medical imaging business is in the United States. The major industrial countries in Europe, Latin America and Japan account for the remainder of the business.

The Company is one of the world's leading suppliers of private label film for the amateur photography retail market. The Company's primary geographic markets for color photographic film are the United States and Europe, representing 70% of the global demand for film. The Company manufactures a complete line of print and slide films which fit in standard 35mm, 110, and 126 cameras used by consumers globally. The Company has recently added single use cameras to its product line which are sold preloaded with the Company's ISO 400 speed film. Single use cameras represent a high growth segment of the consumer film market. The Company's color print film can be found in more than 125 private label brands, as well as 3M's Scotch brand. The Company will continue to use certain 3M trademarks and tradenames including the Scotch brand for a period of time following the Distribution. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Intellectual Property Agreement." These products and brands are positioned as a high value, comparable quality alternative to global brands such as Kodak and Fuji.

INFORMATION PROCESSOR SERVICE APPLICATIONS

The Company's team of field service technicians provides technical servicing and other post-sale technical support for equipment sold by the Company in the information processing industry. The Company offers superior customer service for its products by providing a 24 hour information and customer support hotline. Customers also benefit from user-friendly product documentation and training programs in a variety of languages. The Company also supplies systems and user support services to meet engineering document management needs and produces and distributes continuous and high-contrast black-and-white dry photographic papers and films. These services and support will be extended aggressively to customers of all the Company's product line and into new markets to generate additional profits and customer satisfaction.

COMPETITION

The Company operates in a highly competitive environment. The Company's principal competitors include large, well capitalized technology companies based in the United States, Europe and Japan. These competitors include Eastman Kodak, Fuji Photo Film, Sony, Agfa, Polaroid Corp., Konica, KAO and Du Pont. The Company also competes in certain product markets with smaller, more specialized firms such as Polychrome Corp. and Scitex America Corp. Businesses in the information processing industry compete on a variety of factors such as price, value, product quality, customer service, breadth of product line and availability of system solutions. In these highly competitive and rapidly changing markets, the Company intends to compete by emphasizing its global distribution network, streamlining its supply operations, reducing its costs and building on its industry leadership positions by developing new products and services to address the digital environment and the information processing needs of its customers.

DISTRIBUTOR CHANNELS

The Company's products are sold directly to users and through numerous wholesalers, retailers, jobbers, distributors and dealers in approximately 65 countries. The Company believes it has one of the strongest global distribution networks serving the information processing industry. The Company also plans to utilize 3M as a sales agent to cover selected channels of distribution on an interim basis following the Distribution. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Supply, Service, Contract Manufacturing and Sales Agency Agreements." However, it is the Company's intention to explore all avenues of distribution and to put in place, following the Distribution, the most cost-effective channels of distribution.

RAW MATERIALS

The Company experienced no significant or unusual problems in the purchase of raw materials during 1995. 3M will continue to be a major supplier of certain raw materials and services to the Company after the Distribution. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Supply, Service, Contract Manufacturing and Sales Agency Agreements."

RESEARCH AND PATENTS

Research and product development have historically played an important role in the Company's activities. The Company has research laboratories for the improvement of its existing products and development of new products. The Company's expenditures for research and development activities were \$222 million, \$211 million and \$217 million for 1995, 1994 and 1993, respectively.

The Company has been granted rights, on both exclusive and non-exclusive bases, from 3M and others which will enable it to continue to use the intellectual property presently utilized by the Transferred Businesses. The Company does not consider that its business as a whole is materially dependent upon any one patent, license or trade secret or any group of related patents, licenses or trade secrets, except with respect to those rights granted from 3M. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION -- Intellectual Property Agreement."

MANUFACTURING

The Company operates 17 manufacturing, research and distribution facilities throughout the world. The Company's plants are generally operated around the clock at or near full capacity to minimize unit production costs and to fulfill customer demands.

The Company is in the process of consolidating manufacturing by centralizing such operations into the United States and Italy. This consolidation is intended to reduce costs and improve quality by allowing the Company to adjust its capacity to current needs and take advantage of the facilities with the most advanced quality management system.

The core manufacturing competencies of the Company include coating, fine chemical production for photographic film, state-of-the-art molding capabilities, hardware prototyping and unit cost reduction. These competencies, combined with the Company's research and development competencies of materials science, color management, hardcopy imaging, magnetic and optical recording give the Company a strong technological base to take advantage of the opportunities in the evolving information processing industry.

PROPERTIES

The Company's headquarters are located in Oakdale, Minnesota. The Company's major facilities (all of which are owned by the Company, except where noted), and the products manufactured at such facilities are as follows:

FACILITY	PRODUCTS
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DOMESTIC	
- - - - -	

Camarillo, California	Data tape
Fremont, California (leased)	CD-ROM
Middleway, W. Virginia	Printing plates
Nekoosa, Wisconsin	Carbonless paper
Oakdale, Minnesota	Headquarters
Pine City, Minnesota	Micrographic cards
Rochester, New York	Printing plates and graphic film
St. Paul, Minnesota (leased)	Laboratory facilities
Tucson, Arizona	Data tape
Vadnais Heights, Minnesota (leased)	Optical
Wahpeton, North Dakota	Diskettes/molding
Weatherford, Oklahoma	Diskettes/photographic film
White City, Oregon	Imagers/X-ray films

INTERNATIONAL -----

Bracknell, United Kingdom	Administrative
Ferrania, Italy	X-ray films/photographic film
Florida, Argentina	X-ray films
Harlow, United Kingdom	Research facility
London, Ontario	Administrative
Sulmona, Italy	Printing plates

EMPLOYEES

As of March 31, 1996, the Company had approximately 12,000 employees, approximately 7,500 in the United States and 4,500 internationally. The Company has begun the process of streamlining operations which will result in a significant reduction in the number of employees required for operations. As a first step, several voluntary separation plans recently have been offered to the Company's employees. After the Distribution, it is expected that the Company will have less than 10,000 direct employees as a result of the above actions. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

LEGAL PROCEEDINGS

The Company has assumed substantially all liabilities for legal proceedings relating to the Transferred Businesses. As a result, although 3M is the named defendant, the Company is the party in interest and is herein described as a defendant.

The Company is a party to various legal proceedings and administrative actions, all of which are of an ordinary or routine nature incidental to the operations of the Company. In the opinion of the Company's management, such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on the financial position of the Company.

ENVIRONMENTAL MATTERS

The Company's operations are subject to a wide range of environmental protection laws. The Company has remedial and investigatory activities underway at some of its current facilities. Under the Environmental Matters Agreement, the Company will assume and indemnify 3M for all liabilities relating to, arising out of or resulting from (i) operations at the Company's facilities as conducted before the Closing Date; (ii) the disposal of hazardous materials, from the Company's facilities, before the Distribution Date, at Superfund Sites, where such liabilities are discovered after the Distribution Date; or (iii) operations of the Transferred Businesses on and after the Distribution Date. 3M has agreed to retain responsibility for environmental liabilities relating to former premises which may have been associated with the Transferred Businesses and known Superfund sites associated with the current properties of the Transferred Businesses.

It is the Company's policy to accrue environmental remediation costs if it is probable that a liability has been incurred and the amount of such liability is reasonably estimable. As assessments and remediations proceed, these accruals are reviewed periodically and adjusted, if necessary, as additional information becomes available. The accruals for these liabilities can change due to such factors as additional information on the nature or extent of contamination, methods of remediation required, the allocated share of responsibility among other parties, if applicable, and other actions by governmental agencies or private parties. However, it is often difficult to estimate the future impact of environmental matters, including potential liabilities.

As of March 31, 1996, the Company had reserved approximately \$6.5 million with respect to environmental liabilities. Although the Company believes that its reserves are adequate, there can be no assurance that the amount of expenses relating to remedial actions and compliance with applicable environmental laws will not exceed the amounts reflected in the Company's reserves. The Company believes that such additional charges, if any, will not have a material adverse effect on the financial position of the Company. See "RELATIONSHIP BETWEEN 3M

MANAGEMENT OF THE COMPANY

DIRECTORS

As of the Distribution Date, the Board of Directors of the Company consists of five persons, each of whom has been elected for a term expiring at the annual meeting of stockholders indicated below and until his successor shall have been elected and qualified. The following table sets forth information concerning the individuals who will serve as directors of the Company following the Distribution.

NAME	AGE	TERM EXPIRES AT ANNUAL MEETING IN
William T. Monahan	49	1999
Linda W. Hart	56	1999
Daryl J. White	48	1998
William W. George	53	1998
Lawrence E. Eaton	57	1997

The Board of Directors is presently being selected. The Board will consist of a majority of outside directors who are familiar with the industry in which the Company operates and with financial operations similar to the Company. The Board is expected to be diverse, with a maximum of 16 directors.

WILLIAM T. MONAHAN will serve as Chairman of the Board, President and Chief Executive Officer of the Company. Since June 1993 he has served as Group Vice President responsible for the Electro and Communication Group of 3M and from May 1992 to May 1993, he was Senior Managing Director of 3M Italy. From September 1989 to May 1992, Mr. Monahan was Vice President of Data Storage Products.

LINDA W. HART is Vice-Chairman of Hart Group, Inc., a diversified group of companies primarily involved in insulation manufacturing and residential and commercial services. Prior to joining Hart Group in 1990, Ms. Hart was a partner of the law firm of Vinson & Elkins from July 1986 to January 1990. Ms. Hart is a former director of both Conner Peripherals, Inc. and WordPerfect Corporation and a current director of each of the Hart Group companies, Hart Group, Inc. (management services and investments), Rmax, Inc. (insulation manufacturing) and Axon, Inc. (residential and commercial services).

DARYL J. WHITE served as the Senior Vice President of Finance and Chief Financial Officer of Compaq Computer Corporation, a computer equipment manufacturer, from 1988 to May 1996. Prior to such time, he held the positions of Corporate Controller and Director of Information Management at Compaq. Mr. White is also currently the Chairman of the Board of Pinnacle Micro, Inc.

WILLIAM W. GEORGE has been the President and Chief Executive Officer of Medtronic, Inc., a therapeutic medical technology company, since May 1991. From March 1989 to April 1991, Mr. George served as President and Chief Operating Officer of that company. Prior to such time, Mr. George was the President of Honeywell Space and Aviation Systems (products for commercial and military aviation markets and space and satellite applications) and of Honeywell Industrial Automation and Control. Mr. George is currently a director of Medtronic, Inc., Dayton Hudson Corporation, Valspar Corporation and Allina Health System.

LAWRENCE E. EATON recently announced his retirement, effective in August 1996, from the position of Executive Vice President of 3M's Information, Imaging and Electronic Sector and Corporate Services which he has held since 1991. Mr. Eaton is currently a director of Cray Research, Inc. and will remain as such until mid-June 1996. Prior to 1991, Mr. Eaton served in various other capacities at 3M, including, from 1986 to 1991, as Group Vice President, Memory Technologies Group.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company is expected to establish an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

The Audit Committee will, among other things, recommend the appointment of independent public accountants; review the scope of the annual audit, including fees and staffing; review the independence of the independent accountants;

review nonaudit services provided by the independent accountants; review findings and recommendations of independent accountants and management's response; review the internal audit and control function; and review compliance with the Company's ethical business practices policy.

The Compensation Committee will review management compensation programs, approve compensation changes for senior executive officers, review compensation changes for senior management, and administer stock option plans and other performance based compensation plans.

The Nominating and Governance Committee will act to select and recommend candidates to the Board of Directors to be submitted for election at the annual meeting. The Committee will also review and make recommendations to the Board of Directors concerning the composition and size of the Board and its Committees, frequency of meetings, directors' fees, and similar subjects; review and make recommendations concerning retirement and tenure policy for Board members; recommend proxies for meetings at which directors are elected; approve programs for senior management succession; evaluate performance of the Board as a whole; and consider and approve corporate governance principles.

COMPENSATION OF DIRECTORS

The Company intends to pay to directors who are not employees of the Company ("Non-Employee Directors") an annual fee of \$40,000, subject to the terms of the 1996 Directors Stock Compensation Program (the "Directors Program") described below. The Company intends to pay Non-Employee Directors an additional \$2,500 for each meeting they attend in excess of four meetings per year, and to Non-Employee Directors who are Committee chairmen, an additional \$5,000 per year. In addition, the Company intends to match up to \$15,000 of charitable contributions made to a Code section 501(c)(3) organization by each Non-Employee Director per year. Directors are reimbursed for all reasonable travel and other expenses of attending meetings of the Board or a Committee thereof.

DIRECTORS STOCK COMPENSATION PROGRAM

The Company has adopted the Directors Program, which was approved by 3M, the Company's sole stockholder, as of the Distribution Date, and will become effective as of the consummation of the Distribution (the "Effective Date"). The Directors Program will provide nonemployee directors of the Company (each an "Eligible Director") with automatic grants of stock options ("Options") and units equivalent to shares of Common Stock ("Restricted Share Units").

The purpose of the Directors Program is to attract and retain well-qualified persons for service as nonemployee directors of the Company and to promote identity of interest between directors and stockholders of the Company. The Directors Program is designed and intended to comply with Rule 16b-3, promulgated under the Exchange Act ("Rule 16b-3"). The Directors Program will be administered by the Compensation Committee of the Board of Directors.

Under the Program, a maximum of 800,000 shares of Common Stock, consisting of authorized and unissued shares or of treasury shares, will be available for issuance during the term of the Directors Program. These shares are subject to adjustments in the event of any recapitalization, stock split, reverse stock split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event affecting the Common Stock.

Pursuant to the Program, Eligible Directors will generally be entitled to options to purchase 10,000 shares of Common Stock for each year of service. Specifically, on the Effective Date, each Eligible Director and, thereafter, each new Eligible Director who has not previously been granted Options under the Directors Program, will automatically be issued an Option pursuant to the Program to purchase a number of shares of Common Stock equal to 30,000 multiplied by a fraction the numerator of which is the number of years of such Eligible Director's term of office and the denominator of which is three. Each reelected Eligible Director will automatically be issued an Option to purchase 30,000 shares of Common Stock as of the date such Eligible Director is reelected. Options will be granted at an option price equal to the fair market value of the Common Stock on the date of grant.

Each Option will vest and become exercisable as to 10,000 of the shares of Common Stock underlying such Option on each anniversary of the date of grant, provided that all outstanding and previously unvested Options of an Eligible Director will immediately vest and become fully exercisable upon the Eligible Director's death or disability, or upon a Change of Control (as defined in the Program). If an Eligible Director otherwise terminates service as an Eligible Director, any Options that have not become exercisable will be forfeited as of the date of such termination of service.

On the Effective Date and each anniversary thereof during the term of the Program, each Eligible Director will automatically be granted, in lieu of 25% of his or her annual retainer fee for services as a director of the Company, a number of Restricted Share Units calculated by dividing 25% of such director's annual retainer fee by the fair market value of a share of Common Stock as of the date of grant. The value of any fractional Restricted Share Units will be

paid in cash.

Dividend equivalents will be credited to each Eligible Director's Restricted Share Units during his or her term of office, and will be converted into additional Restricted Share Units. Upon ceasing to be a member of the Board, the Restricted Share Units credited to each Eligible Director will be paid to him or her in the form of a number of shares of Common Stock equal to the number of Restricted Share Units so credited.

In the event of any recapitalization, stock split, reverse stock split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event affecting the Common Stock, the maximum number or class of shares available under the Directors Program, the number of shares of Common Stock subject to outstanding Options and the number of Restricted Share Units to be credited pursuant to the terms of the Directors Program will be adjusted by the Committee to reflect any such change in the number or class of shares of Common Stock.

The Directors Program may be amended or terminated by the Board, provided that (a) no amendment that requires stockholder approval in order for the exemptions available under Rule 16b-3 to be applicable to the Directors Program will be effective without the approval of the stockholders of the Company, and (b) the Directors Program will not be amended more than once every six months, other than to conform with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

FEDERAL TAX CONSEQUENCES. The grant of Options will create no tax consequences to the Eligible Directors or to the Company. Upon exercise of an Option, the difference between the option price and the fair market value at the time of exercise is treated as ordinary income to the Eligible Director and the Company is entitled to a deduction for the same amount. Gain or loss upon a subsequent sale of any shares of Common Stock received upon the exercise of an Option is taxed as capital gain or loss to the participant (long-term or short-term, depending upon the holding period of the stock sold).

An Eligible Director will not realize taxable income and the Company will not be entitled to a deduction upon the crediting of Restricted Share Units. When the Restricted Share Units are paid to the Eligible Director in the form of shares of Common Stock, the Eligible Director will realize ordinary taxable income in an amount equal to the fair market value of the shares of Common Stock at the time of payment, and the Company will be entitled to a deduction in the same amount.

NEW PLAN BENEFITS
1996 DIRECTORS STOCK COMPENSATION PROGRAM

NAME AND POSITION -----	NUMBER OF OPTIONS -----
Non-Executive Director Group (4 persons)	80,000

No Options have been issued yet under the Director Plan. The number of options listed above is the number of options that the Non-Employee Directors will receive as of the Distribution Date.

The Directors Program has been included as an exhibit to the Registration Statement of which this Information Statement forms a part. The preceding description is subject in all respects to the provisions of the Directors Program.

EXECUTIVE OFFICERS

The following table sets forth certain information concerning the persons who will serve as executive officers of the Company following the Distribution. Each such person has been elected to the indicated office with the Company on or prior to the Distribution Date and serves at the pleasure of the Board of Directors of the Company.

NAME -----	AGE ---	POSITIONS -----
William T. Monahan	49	Chairman of the Board, President and Chief Executive Officer
Carolyn A. Bates	49	General Counsel and Secretary
Jill D. Burchill	41	Chief Financial Officer
Dr. Krzysztof K. Burhardt	54	Vice President -- Technology Development
Wilmer G. DeBoer	51	General Manager, Customer Support Technology and Document Imaging
Dennis A. Farmer	52	Vice President -- Marketing and Public Affairs
Barry R. Melchior	52	Director, Corporate Engineering and Manufacturing Services
David G. Mell	49	Vice President -- Corporate Business Processes

Richard W. Northrop	58	Vice President -- Europe
Charles D. Oesterlein	53	Vice President -- Operations
Clifford T. Pinder	49	Vice President -- Operations
Michael E. Sheridan	51	Vice President -- Operations
James R. Stewart	39	Corporate Controller
Deborah D. Weiss	40	Treasurer
David H. Wenck	52	Vice President -- International

Set forth below is a description of the position presently held with the Company by each executive officer, as well as positions held with 3M prior to the Distribution Date.

WILLIAM T. MONAHAN will serve as Chairman of the Board, President and Chief Executive Officer. From June 1993 to the Distribution Date, he was Group Vice President responsible for the Electro and Communications Group and from May 1992 to May 1993, he was Senior Managing Director of 3M Italy. From September 1989 to May 1992, he was Vice President of Data Storage Products.

CAROLYN A. BATES will serve as General Counsel and Secretary. From 1991 to the Distribution Date, she was Assistant Chief Intellectual Property Counsel.

JILL D. BURCHILL will serve as the Chief Financial Officer. From April 1995 to the Distribution Date, she was Sector Controller for 3M's Information, Imaging and Electronic Sector. From May 1993 to April 1995, she was Group Controller for the Memory Technology Group and from July 1990 to May 1993, she was Financial Manager for the Audio/Video Products Division.

DR. KRZYSZTOF K. BURHARDT will serve as Vice President, Technology Development. From July 1991 to the Distribution Date, he was Research and Development Vice President for 3M's Information, Imaging and Electronic Sector.

WILMER G. DEBOER will serve as General Manager, Customer Support Technology and Document Imaging. From July 1993 to the Distribution Date, he was Global Field Service Director and Business Director of 3M's Document Systems Department. From April 1990 to June 1993, he was Manufacturing Director for 3M's Engineering Document Systems Division.

DENNIS A. FARMER will serve as Vice President, Marketing and Public Affairs. From March 1994 to the Distribution Date, he was Vice President of Data Storage Markets and from May 1992 to February 1994, he was General Manager of Data Storage Markets Division. From February 1991 to January 1992, he was Sales Department Manager of Data Storage Products. From July 1988 to January 1991, he was Group Director, Europe, for the Memory Technology Group.

BARRY R. MELCHIOR will serve as Director, Corporate Engineering and Manufacturing Services. From April 1995 to the Distribution Date, he was Engineering Director of 3M's Information, Imaging and Electronic Sector. From August 1993 to April 1995, he was Engineering Manager for the Tape Group and from January 1991 to August 1993 he was Plant Manager for the Traffic Control Materials Division plant in Brownwood, Texas.

DAVID G. MELL will serve as Vice President, Corporate Business Processes. He was Vice President of Data Storage Tape Technology from May 1995 to the Distribution Date, Vice President of Data Storage Diskette and Optical Technology from March 1994 to April 1995, and General Manager of Data Storage Diskette and Optical Technology Division from May 1992 to February 1994. He was Department Manager of 3M's Computer Tape Technology Department Data Storage Products from September 1989 to April 1992.

RICHARD W. NORTHROP will serve as Vice President in charge of the Company's European operations. He was a Managing Director of European operations for 3M's Printing Systems, Hardgoods and Electronic Businesses from January 1994 through the Distribution Date, a Managing Director of European operations for 3M's Hardgood and Electronic Businesses from January 1992 through December 1993 and a Director of 3M's Information and Imaging Divisions from January 1991 through December 1992.

CHARLES D. OESTERLEIN will serve as Vice President, Operations. From 1994 to the Distribution Date, he was Vice President of Printing and Publishing Systems and from 1992 to 1994, he was General Manager of Audio and Video Technology. From 1989 to 1992, he was Department Manager of 3M's Data Storage Products Division.

CLIFFORD T. PINDER will serve as Vice President, Operations. From March 1994 to the Distribution Date, he was Vice President of Medical Imaging Systems and from July 1993 to March 1994, he was Vice President of Photo Color Systems. From November 1991 to June 1993, he was General Manager of 3M's Photo Color Systems and from 1986 to 1990, he was Managing Director of 3M Puerto Rico.

MICHAEL E. SHERIDAN will serve as Vice President, Operations. He was General Manager of Data Storage Diskette Technology from May 1995 to the Distribution Date, Director of Sumitomo/3M's MTG Technology and Special Projects from July 1993 to April 1995 and Group Director of 3M Europe's Memory Technologies Group from May 1990 to July 1993.

JAMES R. STEWART will serve as Corporate Controller. From July 1995 to the Distribution Date, he was Group Controller for 3M's Memory Technologies Group and from March 1992 to July 1995, he was Medical Group Controller -- Europe. From September 1989 to March 1992, he was the Financial Manager for the Commercial Office Supply Division.

DEBORAH D. WEISS will serve as Treasurer. From 1988 to the Distribution Date, she was Manager of 3M's Benefit Funds Investment.

DAVID H. WENCK will serve as Vice President in charge of the Company's international operations. From May 1995 to the Distribution Date, he was General Manager of 3M's Data Storage Optical Technology Division. From December 1994 to April 1995, he was Department Manager of 3M's Software Media and CD-ROM Services Department and from July 1986 to September 1994, he was Project Manager of 3M's Optical Recording Project. From October 1981 to January 1986, he was Managing Director of 3M's Singapore operations.

COMPENSATION OF EXECUTIVE OFFICERS

All of the information set forth in the following tables reflects compensation earned based on services rendered to 3M by the Company's Chief Executive Officer and the four other most highly paid executive officers. The services rendered to 3M were, in many cases, in capacities not equivalent to those to be provided to the Company. Therefore, these tables may not reflect the compensation to be paid executive officers of the Company.

The following table summarizes compensation paid to the Company's Chief Executive Officer and the four other most highly paid executive officers based on services rendered to 3M in 1995.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	LONG-TERM COMPENSATION (1)						
	ANNUAL COMPENSATION (1)			AWARDS		PAYOUTS	
	SALARY	PROFIT SHARING (BONUS) (2)	OTHER ANNUAL COMPENSATION	PROFIT SHARING STOCK (RESTRICTED STOCK AWARDS)	OPTIONS GRANTED (NUMBER OF SHARES) (3)	PERFORMANCE UNIT PLAN (LTIP) PAYOUTS (4)	ALL OTHER COMPENSATION (5)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
W.T. Monahan, Chief Executive Officer	\$236,025	\$124,964	--	0	11,948	\$45,980	\$14,455
K.K. Burhardt, Vice President -- Research and Development	\$196,500	\$ 90,607	--	0	13,615	\$45,980	\$16,039
C.D. Oesterlein, Vice President -- Operations	\$174,400	\$ 35,014	--	0	4,800	\$37,620	\$17,065
D.G. Mell, Vice President -- Corporate Business Processes	\$164,870	\$ 46,317	--	0	4,800	\$37,620	\$13,479
D.A. Farmer, Vice President -- Corporate Marketing	\$161,315	\$ 45,885	--	0	4,800	\$37,620	\$17,936

</TABLE>

(1) The amounts shown in the Summary Compensation Table do not include amounts expensed for financial reporting purposes under 3M's pension plan. This plan is a defined benefit plan. The amounts shown in the table do, however, include those amounts voluntarily deferred by the named individuals under 3M's Deferred Compensation Plan. The Deferred Compensation Plan allows management personnel to defer portions of current base salary, profit sharing and performance unit compensation earned during the year.

(2) The amounts shown under the headings "Profit Sharing (Bonus)" are cash payments received under 3M's Profit Sharing Plan. The term "(Bonus)" is included to satisfy the requirements of the Securities and Exchange Commission ("SEC"). These payments are based upon 3M's performance and are variable in accordance with a predetermined formula. 3M's Profit Sharing Plan provides for quarterly payments (in cash, or, as determined by 3M, in 3M common stock) based upon net income after deducting an allowance for a predetermined 10 percent annual rate of return on stockholder equity and is determined by multiplying the number of profit sharing units awarded to an individual by this quarterly net income, after deduction, divided by the number of the outstanding shares of 3M's Common Stock. Because of the required minimum return on stockholder equity, profit sharing tends to rise and fall relatively more sharply than changes in net income. The number of

profit sharing units awarded to the individuals named is determined by 3M and is intended to reflect the level of responsibility of the respective individual. Profit sharing payments are subject to limitations when individual amounts exceed specified relationships to base salary.

- (3) The number of stock options shown in this column includes both annual grants of incentive and nonqualified stock options and Progressive Stock Options ("PSOs"), which are described more fully in footnote 1 of the table entitled "Option Grants In Last Fiscal Year (1995)." Although these stock options are forfeitable by these participants upon termination of employment with 3M, the Compensation Committee of the 3M Board of Directors has decided to continue these options for the benefit of the participants during the continued employment of the participants by the Company, adjusted as set forth in "TREATMENT OF EMPLOYEE OPTIONS AND RESTRICTED STOCK IN THE DISTRIBUTION," pursuant to the terms of the original grants under 3M's option plans.
- (4) "LTIP Payouts" reflects the value of the total grant for each individual under 3M's Performance Unit Plan after the three year performance period (e.g., for 1995, the performance period is 1993-1995), but no amount will be paid to these individuals under the grant for an additional three years pursuant to the terms of the grant. The numbers shown represent estimates based upon information available as of February 29, 1996. During this additional three year period, interest will be paid at a rate determined by 3M's "return on capital employed" performance. More specific information about 3M's Performance Unit Plan is set forth in footnote (1) to the table entitled "Long-Term Incentive Plans Awards In Last Fiscal Year (1995)." Although these rights are forfeitable by these participants upon termination of employment with 3M, the Compensation Committee of the 3M Board of Directors has decided to continue these rights for the benefit of the participants during the continued employment of the participants by the Company, pursuant to the terms of the original grants under the operative 3M plan.
- (5) "All Other Compensation" includes: (a) that amount of Performance Unit Plan earnings allocated during the year to the base amounts determined after the three year performance periods of each respective grant, to the extent that such earnings are in excess of market interest rates (as determined by the Securities and Exchange Commission); and (b) that amount deemed to be compensation to the individuals under 3M's Senior Executive Split Dollar Plan in accordance with rules developed by the SEC. The Senior Executive Split Dollar Plan provides insurance to all of 3M's executive officers under split dollar life insurance, which is partly term insurance and partly whole life insurance with a cash value. Under this plan, 3M is reimbursed for the premium costs of the non-term portion of coverage and a possible return when the arrangement terminates either by insurance proceeds incident to the death of the individual or by cash value after 15 years of participation in the plan. During 1995, amounts deemed compensation under the plan to the named executive officers in the Summary Compensation Table were \$8,976 for Mr. Monahan; \$10,560 for Dr. Burhardt; \$17,065 for Mr. Oesterlein; \$13,479 for Mr. Mell; and \$17,936 for Mr. Farmer. These amounts were determined by treating the non-term portion of the coverage as an interest-free loan.

STOCK OPTIONS TABLE

The following table shows for each person named in the Summary Compensation Table the specified information with respect to 3M stock option grants during 1995. Since this compensation was received by the named individuals for services rendered to 3M which are not equivalent, in many cases, to those to be provided the Company, this table may not reflect the compensation to be paid executive officers of the Company.

OPTION GRANTS IN LAST FISCAL YEAR (1995)

<TABLE>

<CAPTION>

NAME	OPTIONS GRANTED (#) (1)	INDIVIDUAL GRANTS % OF TOTAL OPTIONS		EXERCISE OR BASE PRICE (\$/SH.) (2)	EXPIRATION DATE	GRANTED DATE VALUE PRESENT VALUE (3)
		GRANTED TO EMPLOYEES IN FISCAL YEAR	GRANTED TO EMPLOYEES IN FISCAL YEAR			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
W.T. Monahan	9,600	0.223%		\$59.60	5-09-2005	\$131,424
	1,436	0.033%		\$57.10	5-05-2000	\$ 13,556
	912	0.021%		\$57.10	5-11-2001	\$ 8,609
K.K. Burhardt	4,800	0.112%		\$59.60	5-09-2005	\$ 65,712
	141	0.003%		\$61.40	5-12-1997	\$ 1,771
	882	0.021%		\$61.40	5-10-1998	\$ 11,078
	1,302	0.030%		\$61.40	5-05-2000	\$ 16,353
	2,086	0.049%		\$61.40	5-11-2001	\$ 26,200
	1,914	0.045%		\$61.40	5-10-2002	\$ 24,040

	2,490	0.058%	\$61.40	5-07-2004	\$ 31,274
C.D. Oesterlein	4,800	0.112%	\$59.60	5-09-2005	\$ 65,712
D.G. Mell	4,800	0.112%	\$59.60	5-09-2005	\$ 65,712
D.A. Farmer	4,800	0.112%	\$59.60	5-09-2005	\$ 65,712

(1) In connection with the Distribution, all outstanding and unexercised 3M options will be appropriately adjusted to reflect the Distribution. See "TREATMENT OF EMPLOYEE OPTIONS AND RESTRICTED STOCK IN THE DISTRIBUTION."

3M does not grant any stock appreciation rights ("SARs"). The options shown for each individual include both annual grants of Incentive Stock Options and nonqualified stock options and grants of PSO's. Nonqualified options are subject to a reload feature when exercised with the payment of the option price in the form of previously owned shares of 3M's common stock. Such an exercise results in further grants of PSO's. The first grant shown for each individual is the annual grant. The remaining lines are PSO's. The PSO grants for each individual were made on a single date, but are, pursuant to SEC rules, shown in multiple lines because of different expiration dates.

PSO grants were made to participants who exercised nonqualified stock options and who paid the purchase price using shares of previously owned 3M common stock. The PSO grant is for the number of shares equal to the shares utilized in payment of the purchase price and tax withholding, if any. The option price for the PSO is equal to 100 percent of the market value of 3M's common stock on the date of the exercise of the primary option or, alternatively, on the date of the PSO grant to the five named individuals in the Summary Compensation Table, all of whom are subject to the requirements of Section 162(m) of the Code. The option period is equal to the remaining period of the options exercised.

Although these tables reflect the grants of PSO's for those participants eligible for such while employed by 3M during 1995, the 3M Compensation Committee has decided that the named participants will no longer be eligible for subsequent PSO grants after the Distribution Date. All nonqualified options at the Distribution Date may be exercised once thereafter, but 3M will not grant any new or additional options, by way of PSO's or otherwise. All other operative terms of the options listed above will continue past the Distribution Date, so that the options granted under 3M's plans will be exercisable during the continued employment of the participants by the Company, notwithstanding termination of employment with 3M at the Distribution Date, per the original terms of the grants by 3M.

- (2) All options granted during the period were granted at the market value on the date of grant of initial grants, or at the fair market values discussed in footnote 1 above in the case of PSO's, as calculated from the average of the high and low prices reported on the New York Stock Exchange Composite Index.
- (3) Pursuant to the rules of the SEC, 3M has elected to provide a grant date present value for these option grants determined by a modified Black-Scholes pricing model. Among key assumptions utilized in this pricing model were: (i) that the time of exercise of Incentive Stock Options would be four years, and of PSOs would be two years, into the term of the option, which could be for terms as long as ten years, in recognition of the historical exercise patterns at 3M for these types of options; (ii) expected volatility of 21.7 percent; (iii) risk-free rate of return of 6.26 percent for two years, and 6.86 percent for four years; and (iv) dividend growth rate of 6.34 percent. No adjustments for non-transferability or risk of forfeiture have been made. 3M voices no opinion that the present value will, in fact, be realized and expressly disclaims any representation to that effect.

OPTION EXERCISES AND YEAR-END VALUE TABLE

The following table shows for each person named in the Summary Compensation Table the specified information with respect to 3M option exercises during 1995 and the value of unexercised 3M options at the end of 1995.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR (1995)
AND FISCAL YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (1)	NUMBER OF UNEXERCISED OPTIONS HELD AT FISCAL YEAR-END (#) (2)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END (1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE (1)	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>

W.T. Monahan	3,121	\$ 51,455	36,348	11,948	\$769,168	\$86,818
K.K. Burhardt	10,895	116,251	27,056	13,615	608,935	76,375
C.D. Oesterlein	2,400	38,220	14,400	4,800	222,000	32,520
D.G. Mell	1,600	31,720	16,800	4,800	284,820	32,520
D.A. Farmer	100	3,256	21,548	4,800	443,467	32,520

</TABLE>

(1) The "Value Realized" or the unrealized "Value of Unexercised In-the-Money Options at FY-End" represents the aggregate difference between the market value on the date of exercise or at December 31, 1995, in the case of the unrealized values, and the applicable exercise prices. These differences accumulate over what may be, in many cases, several years. These stock options all have option periods of ten years when first granted, and PSOs have option periods equal to the remaining option period of the initial nonqualified options resulting in PSOs.

(2) See "TREATMENT OF EMPLOYEE OPTIONS AND RESTRICTED STOCK IN THE DISTRIBUTION."

LONG-TERM INCENTIVE PLAN AWARDS

The following table shows for each person in the Summary Compensation Table the specified information with respect to awards during 1995 under 3M's Performance Unit Plan. Since this compensation was received by the named individuals for services rendered to 3M which are not equivalent, in many cases, to those to be provided to the Company, this table may not reflect the compensation to be paid executive officers of the Company.

LONG-TERM INCENTIVE PLANS -- AWARDS IN LAST FISCAL YEAR (1995)

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (1)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT (2)	ESTIMATED FUTURE PAYOUT UNDER NON-STOCK PRICE-BASED PLANS (3)		
			THRESHOLD	TARGET	MAXIMUM
<S>	<C>	<C>	<C>	<C>	<C>
W.T. Monahan	950	6 years	\$0	\$95,000	\$190,000
K.K. Burhardt	550	6 years	\$0	\$55,000	\$110,000
C.D. Oesterlein	550	6 years	\$0	\$55,000	\$110,000
D.G. Mell	550	6 years	\$0	\$55,000	\$110,000
D.A. Farmer	550	6 years	\$0	\$55,000	\$110,000

</TABLE>

(1) To date, the 3M Compensation Committee has established the performance goals based on criteria of return on capital employed and sales growth. Performance units awarded to date have been assigned a face value of \$100 each. However, the actual amount of the payments is based upon 3M's attainment of the performance goals. If the targets established by the Committee are attained during the performance periods, the performance unit will have a value of \$100 at the end of the performance period. If the targets are not attained, the value will be less than \$100 and, if exceeded, will be more than \$100. The ultimate value of the performance unit can vary from no value to \$200, depending upon actual performance.

Payment is contingent upon continued employment to the payment date or earlier retirement under 3M's pension plan. The Compensation Committee of the 3M Board of Directors has decided to extend the rights of these participants going to the Company beyond the Distribution Date during the continued employment of the participants by the Company, pursuant to the terms of the original grants under 3M's Performance Unit Plan.

(2) The value of awards granted for 1995 will be determined by 3M's attainment of return on capital employed and sales growth criteria during a three-year performance period of 1995, 1996 and 1997. However, there will be an additional three-year involuntary holding period thereafter during which the base amounts determined during the performance period will earn interest and remain subject to forfeiture if the participant discontinues employment for any reason other than death, disability or retirement.

(3) The estimated future payouts do not include any interest factor that would be earned annually during the three-year involuntary holding period following the performance period. Interest during the involuntary holding period would accrue annually at a rate equal to 50 percent of the return on capital employed by 3M during the three years and would be payable, together with the base award, in 2001.

TRANSACTIONS WITH MANAGEMENT

During 1995, three executive officers and directors had loans outstanding with the Eastern Heights State Bank of St. Paul, a subsidiary of 3M. These loans were made in the ordinary course of business on substantially the same terms,

including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of comparable circumstances and did not involve more than normal risk of collectibility or present other unfavorable features.

EMPLOYMENT AGREEMENT

The Company expects to enter into an employment agreement with Mr. Monahan, which commences as of the Distribution Date for an initial four year term, with automatic one-year renewals commencing as of the second anniversary of the Distribution Date, unless notice not to renew is given by either party. Pursuant to the agreement, Mr. Monahan will serve as the Chief Executive Officer of the Company, and the Company will use its best efforts to have Mr. Monahan elected to the Board. Mr. Monahan will receive an annual base salary at a rate no less than his current rate and an annual incentive bonus to be set by the Company's Compensation Committee. The agreement will also provide for Mr. Monahan's participation in the Company's employee benefit, welfare, retirement and incentive compensation plans and programs in which other senior executive officers of the Company participate.

The agreement is expected to provide that if Mr. Monahan's employment is terminated by the Company without cause or by Mr. Monahan for good reason, he will be entitled to receive, for the remainder of the term of the agreement (a) base salary, (b) annual incentive compensation (with a pro rata portion for a partial year) equal to the average annual incentive awards for the three completed years immediately preceding the date of employment termination (including, if applicable annual incentive awards received from 3M for any year within the applicable three-year period), plus a pro rata annual incentive award for the year in which termination of employment occurs, (c) the additional benefits that Mr. Monahan would have been entitled to receive under the Company's defined benefit pension plans had he remained an employee during the remainder of the term of the agreement, based on the base salary and incentive compensation levels described in clauses (a) and (b) above and (d) continued participation in all welfare benefit plans, subject to an offset to the extent similar benefits are made available to Mr. Monahan without cost under welfare benefit plans of a subsequent employer. In addition, Mr. Monahan's equity-based awards will become fully vested and, with respect to his stock options, fully exercisable, as of his date of termination.

Also, if Mr. Monahan's employment is terminated by reason of death, his estate or designated beneficiary will be entitled to receive his base salary for a period of one year and a prorated annual incentive compensation award. If his employment is terminated by reason of disability, he will be entitled to receive a prorated annual incentive compensation award.

If Mr. Monahan receives payments under his agreement that would subject him to any federal excise tax due under section 280G of the Code, then he will also receive a cash "gross-up" payment so that he will be in the same net after-tax position that he would have been in had such excise tax not been applied.

During (a) the term of the agreement, (b) any period during which Mr. Monahan continues to receive salary pursuant to the terms of the agreement, and (c) the one-year period following termination of Mr. Monahan's employment by the Company for cause or by Mr. Monahan other than for good reason, Mr. Monahan is required to comply with appropriate provisions regarding noncompetition, nonsolicitation of employees, nondisparagement of the Company, return of work papers and compliance with policies regarding confidentiality of information.

COMPENSATION UNDER RETIREMENT PLANS

Substantially all domestic employees of the Company will be eligible to participate in the qualified pension and defined contribution plans that the Company intends to establish. In addition, the executive officers of the Company will be eligible to participate in certain nonqualified pension or deferred compensation plans to be established by the Company's Board of Directors.

COMPANY PENSION PLAN

The Company expects to adopt a cash balance pension plan, and it intends that this plan will be qualified under the applicable provisions of the Code. The plan will become effective July 1, 1996, and will cover substantially all domestic employees of the Company. Under this plan, benefits will be determined by the amount of annual pay credits to each employee's account (equal to 6% of each employee's annual earnings) and annual interest credits (equal to the return on the 30-year U.S. Treasury bond) to such accounts. All former 3M employees will retain their right to receive their benefits accrued as of the Distribution Date under 3M's pension plan. Those former 3M employees whose age and years of 3M service as of the Distribution Date equal or exceed 50 (with a minimum of 10 years of 3M service) will continue to be credited with service for purposes of early retirement subsidies under 3M's pension plan based on their combined service with the Company and 3M, and will have their 3M accrued benefits as of the Distribution Date increased following the Distribution by 4% per year of employment with the Company.

The following table shows the estimated aggregate annual benefits payable from the Company's qualified and nonqualified retirement plans to its executive officers and other participating employees at normal retirement, assuming that the Company adopts nonqualified pension plans similar to 3M's:

PENSION PLAN TABLE -- COMPANY PLAN

<TABLE>
<CAPTION>

EMPLOYEES ANNUAL EARNINGS USED FOR COMPUTATION OF BENEFITS	YEARS WITH COMPANY (EXCLUDING SERVICE WITH 3M)				
	5 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
\$150,000	\$ 5,845	\$13,668	\$24,136	\$ 38,145	\$ 56,892
200,000	7,794	18,224	32,182	50,860	75,856
250,000	9,742	22,780	40,227	63,575	94,820
300,000	11,691	27,336	48,272	76,290	113,784
350,000	13,639	31,892	56,318	89,005	132,748
400,000	15,588	36,448	64,363	101,720	151,712
450,000	17,536	41,004	72,409	114,435	170,676
500,000	19,485	45,560	80,454	127,150	189,640

</TABLE>

Under this table the normal form of benefit payment under the plan to married employees would require a reduction in the amounts shown in the table pursuant to an actuarially based formula to provide a benefit to a surviving spouse upon the employee's death following retirement equal to 50% of the reduced benefit. These amounts do not include the 4% per year additional benefit described above, a portion of which will be provided by the Company's plan.

In addition to their benefits under the Company's plan, it is estimated that the named executive officers in the Summary Compensation Table will be entitled to the following aggregate annual benefits payable under 3M's qualified and nonqualified pension plans at normal retirement, based on their service with 3M as of the Distribution Date and assuming that they remain employed by the Company until their normal retirement date: \$156,826 for Mr. Monahan; \$124,756 for Dr. Burhardt; \$124,848 for Mr. Oesterlein; \$113,146 for Mr. Mell; and \$117,878 for Mr. Farmer.

PLANS ENCOURAGING EMPLOYEE STOCK OWNERSHIP

The following two plans are intended to help the Company accomplish its objective of encouraging and increasing employee stock ownership. As a result of these plans, the Company expects employees to eventually own (directly or beneficially) in excess of 5% of its outstanding shares.

RETIREMENT INVESTMENT PLAN

The Company expects to adopt a defined contribution plan including a cash or deferred arrangement, and it intends that this plan will be qualified under the applicable provisions of the Code. The plan will become effective July 1, 1996, and will cover substantially all domestic employees of the Company. Under this plan, employees may generally elect to defer up to 15% of their pay on a before-tax basis and have it contributed to their individual accounts, subject to Code and Internal Revenue Service limits. The Company will make matching contributions to the employees' accounts equal to 100 percent of the first 3% of pay deferred during each pay period and 25% of the next 3% of pay deferred during each pay period. All of the Company's matching contributions will be invested in Common Stock of the Company through an employee stock ownership plan. Individuals currently employed by 3M who join the Company on the Distribution Date will have their account balances under the 3M Voluntary Investment Plan and Employee Stock Ownership Plan transferred to the Company's plan on or prior to the Distribution Date. In addition to matching contributions, the Company may also make annual contributions to the accounts of all eligible employees based on its financial performance. These additional contributions will also be invested in Common Stock of the Company through the employee stock ownership plan.

1996 EMPLOYEE STOCK INCENTIVE PROGRAM

The Company has adopted the 1996 Employee Stock Incentive Program (the "Stock Option Plan"), which was approved by 3M as the sole stockholder of the Company prior to the Distribution, and will become effective upon, and only in the event of the consummation of, the Distribution.

The Stock Option Plan is designed to provide incentives to employees to become stockholders of the Company through the granting of incentive and nonqualified stock options, restricted stock grants and stock appreciation rights. Further, the Stock Option Plan is designed to ensure that compensation payable with respect to the exercise of certain options thereunder will qualify as performance based compensation within the meaning of section 162(m) of the Code and thereby be fully tax-deductible by the Company.

The total number of shares of Common Stock (which includes treasury or authorized but unissued shares) that may be issued or awarded under the Stock Option Plan may not exceed 6,000,000, subject to equitable adjustment in the event of a stock split, stock dividend, reduction or combination of shares, merger, consolidation, recapitalization or other similar transactions). All shares subject to awards under the Stock Option Plan that are forfeited or terminated, will be available again for issuance pursuant to awards under the Stock Option Plan. The maximum number of shares of Common Stock that may be granted to any one participant under the Stock Option Plan by way of options and stock appreciation rights, during the term of the plan shall not exceed 1,000,000 (including Progressive Stock Options (as defined below) granted to such participant.)

The Stock Option Plan will be administered by the Compensation Committee (the "Committee") of the Board of Directors, consisting of two or more persons who are "disinterested persons" within the meaning of Rule 16b-3 ("Rule 16b-3") under the Securities Exchange Act of 1934, as amended and "outside directors" within the meaning of section 162(m) of the Code. Eligibility criteria, the number of participants, and the number of shares subject to option, restricted stock or other awards will be determined by the Committee.

The option price of (a) incentive stock options within the meaning of section 422 of the Code ("Incentive Stock Options") will equal 100 percent of the fair market value of the Common Stock on the date the options are granted, and (b) options other than Incentive Stock Options ("Nonqualified Stock Options") may be equal to, less than or more than 100 percent of the fair market value of the Common Stock on the date the options are granted. Full payment for the shares (which may be made in whole or in part, in shares of Common Stock valued at the fair market value on the date the option is exercised) must be made at the time the option is exercised.

Generally, options will be for a ten-year period (or shorter in the case of Progressive Stock Options), and become exercisable commencing one year from the date of grant (no sooner than six months from date of grant with respect to Progressive Stock Options), unless otherwise determined by the Committee. Option rights are forfeited by a participant in the event of termination of employment for any cause other than retirement, death, or disability, and abbreviated exercise periods are provided in the event of death or disability. Progressive Stock Options are Nonqualified Stock Options equal to the number of shares of previously owned stock delivered in payment of the option price of outstanding Nonqualified Stock Options granted under the Stock Option Plan or in payment of any applicable federal, state, local and employment withholding taxes. Progressive Stock Options have as their term the remaining term of the primary option being exercised and are granted at the fair market value of the stock on the date of the primary option exercise.

Incentive Stock Options are not transferable other than by will or the laws of descent and distribution. All options are nontransferable to the extent necessary to comply with the applicable provisions of Rule 16b-3.

The Committee may also grant restricted stock subject to conditions and restrictions as may be specified by the Committee. The participant shall generally have the rights and privileges of a stockholder as to the shares of restricted stock, including the right to vote, except that the restricted stock shall remain in the custody of the Company until all restrictions have lapsed. None of the shares representing the restricted stock may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the period of restrictions determined by the Committee. At the discretion of the Committee, cash and stock dividends with respect to restricted stock awards may be either currently paid or withheld by the Company for the participant's account, and interest may be paid on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Committee. Cash or stock dividends so withheld by the Committee shall not be subject to forfeiture.

Upon the satisfaction of the conditions and the lapsing of restrictions applicable to restricted stock awards, the Company shall deliver to the participant or the participant's beneficiary or estate, a stock certificate for the number of shares of restricted stock granted, free of all such restrictions, except any that may be imposed by applicable law. The Committee may also award shares of Common Stock under the Stock Option Plan other than restricted stock.

Under the Stock Option Plan, the Committee may grant stock appreciation rights that entitle the recipient to receive an amount of cash or a number of shares of Common Stock measured by the appreciation of the fair market value of the Common Stock at the date of exercise above the fair market value of the Common Stock at the date of the initial grant. Stock appreciation rights will be exercisable during a period determined by the Committee, but which will commence no sooner than six months from the date of grant and will expire no later than ten years from the date of grant. Stock appreciation rights are forfeited by a participant in the event of termination of employment for any cause other than retirement, death, or disability, and abbreviated exercise periods are provided in the event

of death or disability.

The Stock Option Plan provides that all outstanding options under the Stock Option Plan would become immediately exercisable in full for the remainder of the respective option period and remain exercisable in full for a minimum period of six months following a change in control of the Company (as defined in the Stock Option Plan), and all restrictions imposed by the Committee on outstanding grants of restricted stock or other stock awards would automatically be terminated.

Further, in the event that the exercise of options granted under the Stock Option Plan or the receipt of Common Stock as a result of a restricted stock grant or other stock award, after an event of acceleration (i.e., a change of control), shall be determined to be subject to the excise tax of section 4999 of the Code, the Company will pay affected participants such additional amounts of cash so that the net amount, after allowance for the excise tax, any additional federal, state and local income tax and any additional employment tax paid on the additional amount, shall be equal to the net amount that would be retained by the participant if there were no excise tax imposed by section 4999. Similarly, in the event that a participant should be required to take legal action to obtain or enforce rights under the Stock Option Plan after an event of acceleration, the Company shall pay all reasonable legal and accounting fees and expenses incurred, unless a lawsuit is subsequently determined to have been spurious or frivolous.

The Stock Option Plan may be amended or terminated by the Board, except that no amendment will be made without prior approval of the Company's stockholders if such approval is required for purposes of Rule 16b-3, or, to the extent applicable, Section 162(m) of the Code.

The Stock Option Plan will terminate five years after its effective date.

FEDERAL TAX CONSEQUENCES

The grant of stock options will create no tax consequences to the participant or to the Company. The participant will not recognize any taxable income with respect to the exercise of an Incentive Stock Option (except that the alternative minimum tax may apply), and the Company will not be entitled to a deduction when such stock option is exercised, to the extent the individual \$100,000 limit on Incentive Stock Options that first become exercisable in any calendar year is not exceeded, and to the extent that the shares acquired upon exercise are disposed of no earlier than two years after the date of grant of the option and one year after the date of exercise of the option. The tax payable by the participant upon disposition of the shares acquired upon exercise of Incentive Stock Options will be at the long-term capital gain rate. Options that do not satisfy the Code requirements for Incentive Stock Options will be taxed as Nonqualified Stock Options.

Upon exercise of a Nonqualified Stock Option, the difference between the option price and the fair market value at the time of exercise is treated as ordinary income to the participant and the Company is entitled to a deduction for the same amount, subject to the application of section 162(m) of the Code. Gain or loss upon a subsequent sale of any shares of Common Stock received upon the exercise of a Nonqualified Stock Option is taxed as capital gain or loss to the participant (long-term or short-term, depending upon the holding period of the stock sold).

A participant generally will not realize taxable income and the Company will not be entitled to a deduction upon the grant of restricted shares. When the shares are no longer subject to a substantial risk of forfeiture, the participant will realize taxable ordinary income in an amount equal to the fair market value of the stock at the time, and the Company will be entitled to a deduction in the same amount, subject to the provisions of section 162(m) of the Code. However, a participant may elect to realize taxable ordinary income in the year the restricted shares are granted in an amount equal to their fair market value at the time, determined without regard to the restrictions. In that event, subject to section 162(m) of the Code, the Company will be entitled to a deduction in such year in the same amount, and any gain or loss realized by the participant upon the subsequent disposition of the stock will be taxable at short or long term capital gain rates but will not result in any further deduction to the Company.

NEW PLAN BENEFITS

Prior to the Distribution, certain employees of the Company participated in 3M's Management Stock Ownership Program covering management employees of 3M. In lieu of a 1996 annual grant under 3M's Program, the Company intends to grant to its employees who would otherwise have been eligible to receive a 1996 grant under 3M's Program options to purchase shares of Common Stock under the Stock Option Plan. The exercise price of these options will be the fair market value of the Common Stock at the time of the grant. As a result, shortly after the Distribution the Company expects to grant to such employees options to purchase approximately 800,000 shares of Common Stock.

The following table sets forth the options which would have been received in 1996 by certain employees under 3M's Management Stock Ownership Program.

NEW PLAN BENEFITS
EMPLOYEE STOCK INCENTIVE PROGRAM

NAME AND POSITION -----	NUMBER OF OPTIONS -----
W.T. Monahan	36,100
K.K. Burhardt	5,280
C.D. Oesterlein	5,280
D.G. Mell	5,280
D.A. Farmer	5,280
Executive Group	98,580
Non-Executive Director Group	0
Non-Executive Officer Employee Group	(1)

(1) Not determinable as of May 31, 1996.

It cannot be determined at this time the number of options that, will be granted to the above-named individuals in 1996 under the Stock Option Plan. For options to purchase shares of common stock of 3M that were granted to the five named executive officers of the Company in the previous fiscal year under the 3M Stock Option Plan, see "-- Option Grants in Last Fiscal Year (1995)".

The Stock Option Plan has been included as an exhibit to the Registration Statement of which this Information Statement forms a part. The preceding description is subject in all respects to the provisions of the Stock Option Plan.

TREATMENT OF EMPLOYEE OPTIONS AND RESTRICTED STOCK
IN THE DISTRIBUTION

Certain employees of 3M (including certain employees who, as a result of the Distribution, will become employees of the Company) currently hold options to purchase 3M common stock (the "3M Options") pursuant to the 3M Stock Plans.

In connection with the Distribution, and pursuant to the 3M Stock Plans and the related option agreements, the number of shares subject to each 3M Option and the exercise prices thereof will be equitably adjusted to reflect the Distribution. 3M will remain solely responsible for satisfying all exercises of 3M Options.

Pursuant to the terms of the 3M Management Stock Ownership Program, and pursuant to a determination of 3M's Compensation Committee, holders of 3M restricted common stock will not receive shares of Common Stock in the Distribution. In lieu of such Common Stock, the holders of 3M restricted common stock will receive additional shares of restricted common stock of 3M with a value equal to the value of the Common Stock which would have been received by such holders in the Distribution with respect to such restricted common stock.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

The businesses to be conducted by the Company have in the past engaged in transactions with 3M and its businesses. Such transactions have included, among other things, various types of financial support by 3M. Following the Distribution, 3M will continue to have a relationship with the Company as a result of the agreements being entered into between 3M and the Company in connection with the Distribution. Except as referred to above or as otherwise described in this Information Statement, 3M and the Company will cease to have any material contractual or other material relationships with each other. See "RELATIONSHIP BETWEEN 3M AND THE COMPANY AFTER THE DISTRIBUTION."

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Based on information which has been obtained from 3M's records and a review of statements filed with the Securities and Exchange Commission pursuant to Sections 13(d) and 13(g) of the Exchange Act with respect to 3M common stock and received by 3M prior to March 1, 1996, no person known to the Company will be the beneficial owner of more than 5% of the outstanding voting securities of any class of the Company upon completion of the Distribution.

BENEFICIAL OWNERSHIP OF MANAGEMENT

The following table sets forth information with respect to the shares of Common Stock which are expected to be beneficially owned by each director and the named executive officers of the Company and by all directors and officers of the Company as a group as of the Distribution Date based upon their respective holdings of 3M common stock as of June 18, 1996. The table does not include as a basis for calculation options to purchase shares of 3M common stock exercisable at or within 60 days of June 18, 1996 as such options will not be converted in

the Distribution to options to purchase shares of Common Stock. See "TREATMENT OF EMPLOYEE OPTIONS AND RESTRICTED STOCK IN THE DISTRIBUTION." In addition, the table does not include any options which may be granted as part of the Company's employee benefit programs following the Distribution. Based upon such data, no director or officer will own beneficially, as of the Distribution Date, more than 1% of the shares of Common Stock outstanding at such date and all directors and officers as a group will beneficially own less than five-tenths of one percent (0.5%) of the common stock outstanding at such date.

NAME	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP
- - - - -	- - - - -
William T. Monahan	1,248
Linda W. Hart	0
Daryl J. White	0
William W. George	0
Lawrence E. Eaton	4,153
Carolyn A. Bates	121
Jill D. Burchill	188
Dr. Krzysztof K. Burhardt	1,914
Wilmer G. DeBoer	77
Dennis A. Farmer	433
Barry R. Melchior	88
David G. Mell	209
Richard W. Northrop	71
Charles D. Oesterlein	110
Clifford T. Pinder	955
Michael E. Sheridan	367
James R. Stewart	87
Deborah D. Weiss	288
David H. Wenck	565
All directors and officers of the Company as a group (19 persons)	10,874

DESCRIPTION OF COMPANY CAPITAL STOCK

AUTHORIZED CAPITAL STOCK

Under the Certificate of Incorporation, the total number of shares of all classes of stock that the Company has authority to issue is 125 million, of which 25 million are shares of preferred stock, and 100 million are shares of Common Stock. Based on the number of shares of 3M common stock outstanding at May 1, 1996, approximately 41,863,000 shares of Common Stock will be issued to shareholders of 3M.

COMMON STOCK

The holders of Common Stock will be entitled to one vote for each share on all matters voted on by stockholders, and the holders of such shares will possess all voting power, except as otherwise required by law or provided in any resolution adopted by the Board of Directors of the Company with respect to any series of preferred stock. Subject to any preferential or other rights of any outstanding series of Company preferred stock that may be designated by the Board of Directors of the Company, the holders of Common Stock will be entitled to such dividends as may be declared from time to time by the Board of Directors of the Company from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of the Company available for distribution to such holders. See "SPECIAL FACTORS -- Common Stock Dividend Policy."

PREFERRED STOCK

The Board of Directors of the Company will be authorized to provide for the issuance of shares of preferred stock, in one or more series, and to fix for each such series such voting powers, designations, preferences and relative, participating, optional and other special rights, and such qualifications, limitations or restrictions, as are stated in the resolution adopted by the Board of Directors of the Company providing for the issuance of such series as are permitted by the Delaware General Corporation Law (the "Delaware GCL"). See "PURPOSES AND EFFECTS OF CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BY-LAWS -- Preferred Stock."

NO PREEMPTIVE RIGHTS

No holder of any stock of the Company of any class authorized at the Distribution Date will then have any preemptive right to subscribe to any securities of the Company of any kind or class.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is Norwest Bank Minnesota, N.A.

GENERAL

The Certificate of Incorporation and By-laws contain certain provisions that could make more difficult the acquisition of control of the Company by means of a tender offer, open market purchases, a proxy contest or otherwise. Set forth below is a description of such provisions contained in the Certificate of Incorporation and By-laws. Such description is intended as a summary only and is qualified in its entirety by reference to the Certificate of Incorporation and By-laws, the forms of which are included as exhibits to the Registration Statement of which this Information Statement forms a part.

CLASSIFIED BOARD OF DIRECTORS

The Certificate of Incorporation provides that the number of directors shall be fixed from time to time by the Board of Directors of the Company. The directors shall be divided into three classes, as nearly equal in number as is reasonably possible, serving staggered terms so that directors' initial terms will expire either at the 1997, 1998 or 1999 annual meeting of the Company's stockholders. Starting with the 1997 annual meeting of the Company's stockholders, one class of directors will be elected each year for a three-year term. See "MANAGEMENT OF THE COMPANY -- Directors."

The Company believes that a classified Board of Directors will help to assure the continuity and stability of the Company's Board of Directors and the Company's business strategies and policies as determined by the Board of Directors of the Company, since a majority of the directors at any given time will have had prior experience as directors of the Company. The Company believes that this, in turn, will permit the board to more effectively represent the interests of stockholders.

With a classified Board of Directors, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of the Board of Directors. As a result, a classified Board of Directors of the Company may discourage proxy contests for the election of directors or purchases of a substantial block of the Common Stock because its provisions could operate to prevent obtaining control of the Board of Directors of the Company in a relatively short period of time. The classification provisions could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of the Company. In addition, because under Delaware law a director serving on a classified Board of Directors may be removed only for cause, a classified Board of Directors would delay stockholders who do not agree with the policies of the Board of Directors from replacing a majority of the Board of Directors for two years unless they can demonstrate that the directors should be removed for cause and can obtain the requisite vote. Such a delay may help ensure that the Board of Directors of the Company, if confronted by a holder conducting a proxy contest or an extraordinary corporate transaction, will have sufficient time to review the proposal and appropriate alternatives to the proposal and to act in what it believes are the best interests of the Company's stockholders.

SPECIAL MEETINGS OF STOCKHOLDERS; ACTION BY WRITTEN CONSENT; ADVANCE NOTICE PROVISIONS

The By-laws provide that special meetings of stockholders of the Company may be called by the Board of Directors of the Company or the Chairman of the Board. The Certificate of Incorporation also requires that stockholder action be taken at a meeting of stockholders and prohibits action by written consent.

STOCKHOLDER NOMINATIONS

The By-laws establish procedures that must be followed for a stockholder to nominate individuals for election to the Company's Board of Directors. Nominations of persons for election to the Board will be required to be made by delivering written notice to the Secretary of the Company not less than 60 days and not more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; PROVIDED HOWEVER, that in the event that the annual meeting is called for a date that is not within 10 days before or after such anniversary date, notice by the stockholder to be timely will be required to be so received before the later of the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure made of the date of the annual meeting was made, whichever first occurs and the close of business on the day which is 60 days prior to the date of the annual meeting. The nomination notice will be required to set forth certain background information about the persons to be nominated, including the nominees' principal occupation or employment and the class and number of shares of capital stock of the Company that are beneficially owned by such person. If the presiding officer at the annual meeting determines that a nomination was not made in accordance with these procedures, he may so declare at the meeting and the nomination may be disregarded.

STOCKHOLDER PROPOSALS

The By-laws establish procedures that must be followed for a stockholder to submit a proposal at an annual meeting of the stockholders of the Company. Under these procedures, no proposal for a stockholder vote will be able to be submitted to the stockholders unless the submitting stockholder has timely filed with the Secretary of the Company a written statement setting forth specified information, including the names and addresses of the persons making the proposal, the class and number of shares of capital stock of the Company beneficially owned by such persons, a description of the proposal and the reasons for bringing such business before the annual meeting and any material interest of the stockholder in such business. The statement will be required to be filed no later than the latest date for filing a nomination notice as described above under "--Stockholder Nominations." If the presiding officer at any stockholder meeting determines that any such proposal was not made in accordance with these procedures or is otherwise not in accordance with applicable law, he may so declare at the meeting and such defective proposal may be disregarded.

PREFERRED STOCK

The Certificate of Incorporation authorizes the Board of Directors to establish a series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of such series, including the following: (i) the designation of such series; (ii) the rate and time of, and conditions and preferences with respect to, dividends, and whether such dividends are cumulative; (iii) the voting rights, if any, of shares of such series; (iv) the price, timing and conditions regarding the redemption of shares of such series and whether a sinking fund should be established for such series; (v) the rights and preferences of shares of such series in the event of voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; and (vi) the right, if any, to convert or exchange shares of such series into or for stock or securities of any other series or class.

The Company believes that the availability of the preferred stock will provide the Company with increased flexibility in structuring possible future financing and acquisitions, and in meeting other corporate needs which might arise. Having such authorized shares available for issuance will allow the Company to issue shares of preferred stock without the expense and delay of a special stockholders' meeting. The authorized shares of preferred stock, as well as shares of Common Stock, will be available for issuance without further action by the Company's stockholders, unless action is required by applicable law or the rules of any stock exchange on which the Company's securities may be listed or unless the Company is restricted by the terms of previously issued preferred stock or by the Company's bank credit facility.

SUPERMAJORITY PROVISION

The Certificate of Incorporation generally provides that, whether or not a vote of the stockholders is otherwise required, the affirmative vote of the holders of not less than eighty percent (80%) of the outstanding shares of Common Stock shall be required for the approval or authorization of any Business Transaction with a related Person, or any Business Transaction in which a Related Person has an interest; provided, however, that the eighty percent (80%) voting requirement shall not be applicable if (1) the Business Transaction is approved by the Continuing Directors, or (2) all of the following conditions are satisfied:

(a) the Business Transaction is a merger or consolidation or sale of substantially all of the assets of the Company, and the aggregate amount of cash to be received per share by holders of Common Stock in connection with such Business Transaction is at least equal in value to the highest amount of consideration paid by such related person for a share of Common Stock in the transaction in which such person became a Related Person, or within one year prior to the date such related Person became a Related Person, whichever is higher; and

(b) after such Related Person has become the beneficial owner of not less than ten percent (10%) of the voting power of the stock of the Company entitled to vote generally in the election of directors, and prior to the consummation of such Business Transaction, such Related Person shall not have become the Beneficial Owner of any additional shares of voting stock or securities convertible into voting stock, except (i) as a part of the transaction which resulted in such Related Person becoming the beneficial owner of not less than ten percent (10%) of the voting power of the voting stock or (ii) as a result of a pro rata stock dividend or stock split; and

(c) prior to the consummation of such Business Transaction, such Related Person shall not have, directly or indirectly, (i) received the benefit (other than only a proportionate benefit as a stockholder of the Company) of any loans, advances, guarantees, pledges, or other financial assistance or tax credits provided by the Company or any of its subsidiaries, (ii) caused any material change in the Company's business or equity capital structure, including, without limitation, the issuance of shares of capital stock of the Company, or (iii) except as approved by the Continuing Directors, caused the Company to fail to declare and pay (y) at the regular date therefor any full quarterly dividends on any outstanding preferred stock or (z) quarterly cash dividends on the outstanding Common Stock on a per share basis at least equal to the cash

dividends being paid thereon by the corporation immediately prior to the date on which the Related Person became a Related Person.

The term "Business Transaction" is generally defined as (a) any merger or consolidation involving the Company or a subsidiary of the Company, (b) any sale, lease, exchange, transfer, or other disposition (in one transaction or a series of related transactions), including, without limitation, a mortgage or any other security device, of all or any substantial part of the assets either of the Company or of a subsidiary of the Company, (c) any sale, lease, exchange, transfer, or other disposition (in one transaction or a series of related transactions) of all or any substantial part of the assets of an entity to the Company, (d) the issuance, sale, exchange, transfer, or other disposition (in one transaction or a series of related transactions) by the Company or a subsidiary of the Company of any securities of the Company or any subsidiary of the Company, (e) any recapitalization or reclassification of the securities of the Company or other transaction that would have the effect of increasing the voting power of a Related Person or reducing the number of shares of each class of voting stock outstanding, (f) any liquidation, spin-off, split-off, split-up, or dissolution of the Company, and (g) any agreement, contract, or other arrangement providing for any of the transactions described in this definition of Business Transaction. "Continuing Director" is generally defined as a member of the Board of Directors on the Distribution Date and any member of the Board of Directors whose election was approved by the Continuing Directors. "Related Person" generally is defined as any individual or entity which, together with its affiliates and associates owns not less than 10% of the voting power of the voting stock of the Company.

RIGHTS AGREEMENT

The Board of Directors of the Company has declared a dividend distribution of one right (a "Right") to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock for each outstanding share of Common Stock to stockholders of record of the Company on the Record Date. The description and terms of the Rights are set forth in a Rights Agreement, dated as of June 18, 1996, between the Company and Norwest Bank Minnesota, N.A. (the "Rights Agreement").

The Rights remain non-exercisable, nontransferable and non-separable from the Company's Common Stock until the earlier of (i) 10 days after a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of the Company's Common Stock (the "Stock Acquisition Date") or (ii) 10 business days (or such later date as may be determined by the Board of Directors) after the commencement of a tender offer or exchange offer for 15% or more of the Common Stock.

In the event that a person becomes the beneficial owner of 15% or more of the then outstanding shares of the Common Stock (except pursuant to an offer for all outstanding shares of Common Stock that the independent directors of the Company determine to be fair to and otherwise in the best interests of the Company and its stockholders (an "Approved Offer")), each holder of a Right will thereafter have the right to receive, upon exercise, shares of Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Rights. Each Right, when exercisable, currently entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of \$125, subject to adjustment. In the event that, at any time following the Stock Acquisition Date, (i) the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving corporation (other than a merger that follows an Approved Offer and meets certain other requirements) or (ii) more than 50% of the Company's assets, cash flows or earning power is sold or transferred, each holder of a Right shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right.

In general, at any time prior to their expiration on July 1, 2006 or until 10 days following the Stock Acquisition Date, the Board of Directors in its discretion may redeem the Rights in whole, but not in part, at a price of \$.01 per Right.

Each share of Series A Junior Participating Preferred Stock, when issued, will be nonredeemable and entitled to cumulative dividends and will rank junior to any series of Preferred Stock senior to it. Dividends are payable on the Series A Junior Participating Preferred Stock in an amount equal to the greater of (i) \$1.00 per share or (ii) 100 times the aggregate per share amount of all cash and noncash dividends (other than dividends payable in Common Stock) declared on the Common Stock since the last quarterly dividend payment date or, with respect to the first such date, since the first issuance of the Series A Junior Participating Preferred Stock. Each share of Series A Junior Participating Preferred Stock will entitle the holder (subject to adjustment) to 100 votes on all matters submitted to a vote of the stockholders of the Company. The number

of shares constituting the series of Series A Junior Participating Preferred Stock is 1,000,000.

The Rights may have certain anti-takeover effects, including deterring someone from acquiring control of the Company in a manner or on terms not approved by the Board of Directors. The Rights should not interfere with any merger or other business combination approved by the Board of Directors, since the Rights generally may be redeemed at any time by the Company as set forth above.

LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

GENERAL

Officers and directors of the Company are covered by certain provisions of the Delaware GCL, the Certificate of Incorporation, the By-laws and insurance policies which serve to limit, and, in certain instances, to indemnify them against, certain liabilities which they may incur in such capacities. None of such provisions would have retroactive effect for periods prior to the Distribution Date, and the Company is not aware of any claim or proceeding in the last three years, or any threatened claim, which would have been or would be covered by these provisions. These various provisions are described below.

ELIMINATION OF LIABILITY IN CERTAIN CIRCUMSTANCES

In June 1986, Delaware enacted legislation which authorizes corporations to limit or eliminate the personal liability of directors of corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations now authorized by such legislation, directors are accountable to corporations and their stockholders for monetary damages for conduct constituting negligence or gross negligence in the exercise of their duty of care. Although the statute does not change directors' duty of care, it enables corporations to limit available relief to equitable remedies such as injunction or rescission. The Certificate of Incorporation limits the liability of directors to the Company or its stockholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by such legislation. Specifically, the directors of the Company will not be personally liable for monetary damages for breach of a director's fiduciary duty as director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware GCL, or (iv) for any transaction from which the director derived an improper personal benefit.

INDEMNIFICATION AND INSURANCE

As a Delaware corporation, the Company has the power, under specified circumstances generally requiring the director or officer to act in good faith and in a manner he reasonably believes to be in or not opposed to the Company's best interests, to indemnify its directors and officers in connection with actions, suits or proceedings brought against them by a third party or in the name of the Company, by reason of the fact that they were or are such directors or officers, against expenses, judgments, fines and amounts paid in settlement in connection with any such action, suit or proceeding. The By-laws generally provide for mandatory indemnification of the Company's directors and officers to the full extent provided by Delaware corporate law.

The Company intends to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Company, or is or was a director or officer of the Company serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power or obligation to indemnify him against such liability under the provisions of the By-laws.

INDEPENDENT PUBLIC ACCOUNTANTS

The Company has appointed Coopers & Lybrand L.L.P. as the Company's independent public accountants to audit the Company's financial statements as of and for the year ending December 31, 1996. Coopers & Lybrand L.L.P. has audited the Company's historical financial statements as of December 31, 1995 and 1994 and for each of the three years in the period ended December 31, 1995.

ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form 10 (the "Registration Statement", which term shall include any amendments or supplements thereto) under the Exchange Act with respect to the shares of Common Stock being received by 3M stockholders in the Distribution. This Information Statement does not contain all of the information set forth in the Registration

Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Information Statement as to the contents of any contract, agreement or other document referred to herein are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Registration Statement and the exhibits thereto filed by the Company with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, 13th Floor, New York, New York 10048. Copies of such information can be obtained by mail from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of Minnesota Mining and Manufacturing Company:

We have audited the historical financial statements of the businesses to comprise Imation Corp. (as described in Note 1 to the historical financial statements) listed on page F-1 of this Information Statement. These historical financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these historical financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the historical financial statements referred to above present fairly, in all material respects, the financial position of Imation Corp. as of December 31, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Minneapolis, Minnesota
March 29, 1996

IMATION CORP.
HISTORICAL STATEMENTS OF OPERATIONS
(IN MILLIONS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues	\$576.1	\$576.7	\$2,245.6	\$2,280.5	\$2,307.8
Cost of goods sold	373.8	364.2	1,520.9	1,442.0	1,421.6
Gross profit	202.3	212.5	724.7	838.5	886.2
Operating expenses:					
Selling, general and administrative	130.7	137.9	539.4	531.5	529.0
Research and development	47.9	56.4	222.4	211.2	216.7
Restructuring charges	10.4	--	111.8	--	--
Total	189.0	194.3	873.6	742.7	745.7
Operating income (loss)	13.3	18.2	(148.9)	95.8	140.5
Interest expense and other	3.2	5.2	17.9	14.5	13.1
Income (loss) before tax and minority interest	10.1	13.0	(166.8)	81.3	127.4
Income tax provision (benefit)	4.1	5.5	(70.5)	29.3	51.8
Minority interest	(0.1)	--	(11.3)	(2.3)	0.3
Net income (loss)	\$ 6.1	\$ 7.5	\$ (85.0)	\$ 54.3	\$ 75.3

</TABLE>

Unaudited pro forma information assuming tax provision (benefit) based on a purely separate return basis:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1996	YEAR ENDED DECEMBER 31, 1995
	<S>	<C>
Income (loss) before tax and minority interest	\$10.1	\$(166.8)
Income tax provision (benefit)	4.7	(47.5)
Minority interest	(0.4)	(22.8)
Net income (loss)	\$ 5.8	\$ (96.5)

</TABLE>

THE ACCOMPANYING NOTES TO HISTORICAL FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

IMATION CORP.
HISTORICAL BALANCE SHEETS
(IN MILLIONS)

<TABLE>
<CAPTION>

	AS OF MARCH 31,	AS OF DECEMBER 31,	
	1996	1995	1994
	(UNAUDITED)		
<S>	<C>	<C>	<C>
ASSETS			
Current Assets			
Accounts receivable, net	\$ 472.2	\$ 479.5	\$ 476.5
Inventories:			
Finished goods	240.1	244.0	290.5
Work in process	77.6	81.2	75.2
Raw materials and supplies	102.4	101.1	107.8
Total inventories	420.1	426.3	473.5
Other current assets	48.1	48.8	47.6
Total current assets	940.4	954.6	997.6
Property, Plant and Equipment, Net	503.9	513.2	654.9
Other Assets	75.7	73.7	19.2
Total Assets	\$1,520.0	\$1,541.5	\$1,671.7

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	\$ 117.0	\$ 125.9	\$ 129.0
Accrued payroll	52.8	44.4	42.4
Other current liabilities	137.2	125.9	112.2
	-----	-----	-----
Total current liabilities	307.0	296.2	283.6
Other Liabilities	91.3	96.6	88.1
Commitments and Contingencies			
Equity	1,121.7	1,148.7	1,300.0
	-----	-----	-----
Total Liabilities and Equity	\$1,520.0	\$1,541.5	\$1,671.7
	=====	=====	=====

</TABLE>

THE ACCOMPANYING NOTES TO HISTORICAL FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

IMATION CORP.
HISTORICAL STATEMENTS OF CASH FLOWS
(IN MILLIONS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		YEARS ENDED		
	MARCH 31,		DECEMBER 31,		
	1996	1995	1995	1994	1993
	-----	-----	-----	-----	-----
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	\$ 6.1	\$ 7.5	\$ (85.0)	\$ 54.3	\$ 75.3
Non-cash items included in net income (loss):					
Depreciation	48.5	49.1	189.5	185.9	184.4
Deferred income taxes	6.1	0.6	(68.1)	14.0	(10.0)
Restructuring charge and asset write-offs	9.8	--	166.3	--	--
Other	(0.2)	1.6	2.1	1.5	5.1
Changes in operating assets and liabilities:					
Accounts receivable	5.1	3.1	(0.6)	(16.8)	(53.6)
Inventories	4.6	(26.3)	25.4	(87.8)	8.7
Other	(10.3)	(6.1)	27.2	19.0	19.3
	-----	-----	-----	-----	-----
Net cash provided by operating activities	69.7	29.5	256.8	170.1	229.2
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(40.7)	(46.0)	(180.2)	(182.7)	(211.4)
Other	0.6	(0.9)	(7.3)	3.0	1.2
	-----	-----	-----	-----	-----
Net cash used in investing activities	(40.1)	(46.9)	(187.5)	(179.7)	(210.2)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net cash (paid to) received from 3M	(27.0)	13.4	(72.9)	18.5	(13.1)
Effect of exchange rate changes on cash	(2.6)	4.0	3.6	(8.9)	(5.9)
	-----	-----	-----	-----	-----
Net change in cash and equivalents	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====

</TABLE>

THE ACCOMPANYING NOTES TO HISTORICAL FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

IMATION CORP.
NOTES TO HISTORICAL FINANCIAL STATEMENTS

NOTE 1 -- BACKGROUND AND BASIS OF PRESENTATION

BACKGROUND

Imation Corp. (the "Company") is a newly formed Delaware corporation which initially will be a wholly-owned subsidiary of Minnesota Mining and Manufacturing Company ("3M"). On November 13, 1995, 3M announced its intention to launch its data storage and imaging systems businesses as an independent, publicly owned company. This transaction is expected to be effected through the distribution of shares of the Company to 3M shareholders effective on or about July 1, 1996 ("the Distribution"). Prior to the Distribution, 3M plans to transfer to the Company substantially all of the assets and liabilities associated with 3M's global data storage and imaging systems businesses. 3M and the Company will enter into a number of agreements to facilitate the Distribution and the transition of the Company to an independent business enterprise.

BASIS OF PRESENTATION

The historical financial statements reflect the assets, liabilities, revenues and expenses that were directly related to the Company as they were operated

within 3M. In cases involving assets and liabilities not specifically identifiable to any particular business of 3M, only those assets and liabilities expected to be transferred to the Company prior to the Distribution were included in the Company's separate historical balance sheets. Regardless of the allocation of these assets and liabilities, however, the Company's Statements of Operations include all of the related costs of doing business including an allocation of certain general corporate expenses of 3M which were not directly related to these businesses including costs for corporate logistics, corporate research and development, information technologies, finance, legal and corporate executives. These allocations were based on a variety of factors including, for example, personnel, space, time and effort, and sales volume. Management believes these allocations were made on a reasonable basis. All material inter-company transactions and balances between the Company's businesses have been eliminated.

3M uses a centralized approach to cash management and the financing of its operations. As a result, cash and equivalents, and debt were not allocated to the Company in the financial statements. The historical statements of operations include an allocation of 3M's interest expense (see Note 6). The Company's financing requirements are represented by cash transactions with 3M and are reflected in the "Net Investment by 3M" account (see Note 7). Certain assets and liabilities of 3M such as certain employee benefit and income tax-related balances have not been allocated to the Company and are included in the Net Investment by 3M account. Activity in the Net Investment by 3M equity account relates to net cash flows of the Company as well as changes in the assets and liabilities not allocated to the Company.

The Company also participated in 3M's centralized interest rate risk management function. As part of this activity, derivative financial instruments are utilized to manage risks generally associated with interest rate market volatility. 3M does not hold or issue derivative financial instruments for trading purposes. 3M is not a party to leveraged derivatives. The historical balance sheets of the Company do not reflect any of the associated asset or liability positions resulting from this activity because the Company will not assume any of 3M's derivative financial instruments. The historical statements of operations and statements of cash flows, however, do reflect an allocation of the related gains and losses. Such gains and losses were recognized by 3M as interest expense over the borrowing period and, as a result, are reflected in the effective interest rates utilized by the Company in deriving its interest expense. See Note 6.

The minority interest within the historical statements of operations gives recognition to the Company's share of net income (loss) of certain majority owned subsidiaries of 3M. The minority shareholders' proportionate interests in the net assets of majority owned subsidiaries have not been presented in the historical balance sheets based on the assumption that the Company will obtain 100 percent ownership of the assets and liabilities of these subsidiaries in connection with the Distribution. See Note (i) to Pro Forma Balance Sheet.

The financial information included herein may not necessarily be indicative of the financial position, results of operations or cash flows of the Company in the future or what the financial position, results of operations or cash flows would have been if the Company had been a separate, independent company during the periods presented.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL DATA (UNAUDITED)

The financial information presented as of March 31, 1996 and for each of the three month periods ended March 31, 1996 and 1995 is unaudited. In the opinion of management, this financial information reflects all adjustments necessary for a fair presentation of the financial information for such periods. These adjustments, except for the restructuring charge recorded in the three months ended March 31, 1996, consist of normal, recurring items.

The results of operations for the three month period ended March 31, 1996 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 1996.

FOREIGN CURRENCY TRANSLATION

Local currencies are generally considered the functional currencies outside the United States. Assets and liabilities are translated at year-end exchange rates with cumulative translation adjustments included as a component of equity. Income and expense items are translated at average rates of exchange prevailing during the year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Principal areas requiring the use of estimates include: the allocation of financial statement amounts between the Company and 3M, determination of allowances for uncollectible accounts receivable and obsolete/excess inventories, and assessments of the recoverability of deferred tax assets and certain long-lived assets.

INVENTORIES

Inventories are stated at the lower of cost or market, with cost generally determined on a first-in first-out basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Maintenance and repairs are expensed as incurred. Periodic reviews for impairment of the carrying value of property, plant and equipment are made based on undiscounted future cash flows.

EMPLOYEE SEVERANCE INDEMNITIES

Employee severance indemnities consist of termination indemnities and are accrued for each employee in accordance with labor legislation in each applicable country.

REVENUE RECOGNITION

Revenue is recognized upon shipment of goods to customers or upon performance of services. Revenues from service contracts are deferred and recognized over the life of the contracts as service is performed.

CONCENTRATIONS OF CREDIT RISK

The Company sells a wide range of products and services to a diversified base of customers around the world and performs ongoing credit evaluations of its customers' financial condition, and therefore believes there is no material concentration of credit risk.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to expense as incurred.

ADVERTISING COSTS

Advertising costs are charged to expense as incurred and totaled \$52 million, \$52 million and \$45 million in 1995, 1994 and 1993 respectively.

INCOME TAXES

As an operating unit within 3M, the Company does not file separate tax returns but rather is included in the income tax returns filed by 3M and its subsidiaries in various domestic and foreign jurisdictions. For purposes of the historical financial statements, the Company's allocated share of 3M's income tax provision was based on the "separate return" method, except that the tax benefit of the Company's tax losses in certain jurisdictions was allocated to the Company on a current basis if such losses could be utilized by 3M in its tax returns and an assessment of realizability of certain deferred tax assets was made assuming the availability of future 3M taxable income. The unaudited pro forma information on the face of the historical statements of operations for the three months ended March 31, 1996 and for the year ended December 31, 1995 assumes that the Company's income tax provision (benefit) was calculated based on a purely "separate return" method (see Note (c) to Pro Forma Statements of Operations). The balance of accrued current income taxes for the Company's operations is included in the Net Investment by 3M equity account because 3M pays all taxes and receives all tax refunds on the Company's behalf.

NOTE 3 -- SUPPLEMENTAL BALANCE SHEET INFORMATION

	1995	1994
	-----	-----
	(MILLIONS)	
ACCOUNTS RECEIVABLE		
Accounts receivable	\$ 497.0	\$ 495.2
Less allowances	17.5	18.7
	-----	-----
Accounts receivable, net	\$ 479.5	\$ 476.5
	-----	-----
OTHER CURRENT ASSETS		
Deferred taxes	\$ 23.4	\$ 21.9
Other	25.4	25.7
	-----	-----
Total other current assets	\$ 48.8	\$ 47.6
	-----	-----
PROPERTY, PLANT AND EQUIPMENT		
Land	\$ 7.7	\$ 7.6

Buildings and leasehold improvements	180.9	170.5
Machinery and equipment	1,616.2	1,489.3
Construction in progress	63.5	98.3
	-----	-----
	1,868.3	1,765.7
Less accumulated depreciation	1,355.1	1,110.8
	-----	-----
Property, plant and equipment, net	\$ 513.2	\$ 654.9
	-----	-----
OTHER ASSETS		
Deferred taxes	\$ 60.6	\$ 3.2
Other	13.1	16.0
	-----	-----
Total other assets	\$ 73.7	\$ 19.2
	-----	-----
OTHER CURRENT LIABILITIES		
Accrued rebates	\$ 44.6	\$ 30.6
Deferred income	35.8	38.8
Other	45.5	42.8
	-----	-----
Total other current liabilities	\$ 125.9	\$ 112.2
	-----	-----
OTHER LIABILITIES		
Employee severance indemnities	\$ 59.2	\$ 49.4
Other	37.4	38.7
	-----	-----
Total other liabilities	\$ 96.6	\$ 88.1
	-----	-----

NOTE 4 -- RESTRUCTURING CHARGES AND ASSET WRITE-OFFS

In late 1995, the Company initiated a review of all of its operations, including its organizational structure, manufacturing operations, products and markets. In connection with this review, the Company has adopted a reorganization plan to rationalize its manufacturing operations, streamline its organizational structure and write-off impaired assets.

To reflect the direct and indirect costs associated with this reorganization plan, 3M recognized a loss on disposal which included pre-tax charges of approximately \$340 million in the fourth quarter of 1995 as a part of its discontinued operations. The Company will reflect the direct portion of these charges, approximately \$250 million, in its separate financial statements partially in 1995 and partially in 1996 based upon the timing recognition criteria required for restructuring charges. The Company recorded \$166.3 million of these charges (\$88.3 million after taxes and minority interest) in its 1995 historical financial statements and an additional \$10.4 million (\$6.1 million after taxes and minority interest) in the first quarter of 1996. The balance of the \$250 million relates primarily to employee severance costs and is expected to be reflected in the Company's financial statements during the remaining quarters of 1996.

The 1995 special charge of \$166.3 million includes \$111.8 million related to world-wide manufacturing rationalization programs to exit less profitable manufacturing locations and to centralize manufacturing in the United States and in Italy, and consists principally of write-offs of property, plant and equipment. This \$111.8 million charge is included as a separate restructuring charge in the statement of operations. The remaining 1995 special charge of \$54.5 million relates primarily to asset write-offs included in cost of goods sold.

The first quarter 1996 restructuring charge reflects costs for certain voluntary separation programs.

NOTE 5 -- INCOME TAXES

	1995	1994	1993
	-----	-----	-----
		(MILLIONS)	
INCOME (LOSS) BEFORE TAX AND MINORITY INTEREST			
U.S.	\$ (136.1)	\$ 63.2	\$ 74.8
International	(30.7)	18.1	52.6
	-----	-----	-----
Total	\$ (166.8)	\$ 81.3	\$ 127.4
	-----	-----	-----
INCOME TAX PROVISION (BENEFIT)			
Currently payable (refundable)			
Federal	\$ (14.0)	\$ 8.3	\$ 24.0
State	(4.3)	1.7	3.5
International	15.6	4.6	34.4
Deferred			

Federal	(34.9)	9.4	(5.6)
State	(3.1)	0.8	(0.4)
International	(29.8)	4.5	(4.1)
	-----	-----	-----
Total	\$ (70.5)	\$29.3	\$ 51.8
	-----	-----	-----

	1995	1994
	-----	-----
	(MILLIONS)	
COMPONENTS OF NET DEFERRED TAX ASSETS AND LIABILITIES		
Receivables	\$ 4.0	\$ 5.3
Inventories	5.9	5.8
Property, plant and equipment	44.5	(16.9)
Payroll	19.2	16.9
Other, net	9.5	4.2
	-----	-----
Net Deferred Tax Assets and Liabilities	\$83.1	\$ 15.3
	-----	-----

Management believes the Company, or in certain cases 3M prior to the Distribution, will generate sufficient taxable income in future periods to recover fully the Company's deferred tax assets.

	1995	1994	1993
	-----	-----	-----
RECONCILIATION OF EFFECTIVE INCOME TAX RATE			
Statutory U.S. tax rate	(35.0)%	35.0%	35.0%
State income taxes, net of federal benefit	(6.3)	3.1	2.4
International taxes in excess of statutory rate	(0.3)	3.4	9.3
All other, primarily foreign tax credits	(0.7)	(5.5)	(6.0)
	-----	-----	-----
Effective Worldwide Tax Rate	(42.3)%	36.0%	40.7%
	-----	-----	-----

NOTE 6 -- INTEREST EXPENSE

The Company's financial statements include allocations of 3M's interest expense totaling \$18.8 million, \$16.3 million and \$13.3 million in 1995, 1994 and 1993, respectively. These allocations are based on a targeted non-ESOP debt anticipated at the Distribution Date of \$250 million. The interest rates used were 7.5%, 6.5% and 5.3% in 1995, 1994 and 1993, respectively, which reflect 3M's weighted average effective interest rates on non-ESOP debt during these periods. The historical balance sheets of the Company do not include this debt as the total capitalization of the Company is reflected in its equity.

NOTE 7 -- EQUITY

Changes in equity during each of the years ended December 31 were as follows:

	NET INVESTMENT BY 3M	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL EQUITY
	-----	-----	-----
	(MILLIONS)		
Balance at December 31, 1992	\$1,210.7	\$ (38.5)	\$1,172.2
Net income	75.3		75.3
Net amount paid to 3M	(13.1)		(13.1)
Net change in cumulative translation		(34.6)	(34.6)
	-----	-----	-----
Balance at December 31, 1993	1,272.9	(73.1)	1,199.8
Net income	54.3		54.3
Net amount received from 3M	18.5		18.5
Net change in cumulative translation		27.4	27.4
	-----	-----	-----
Balance at December 31, 1994	1,345.7	(45.7)	1,300.0
Net loss	(85.0)		(85.0)
Net amount paid to 3M	(72.9)		(72.9)
Net change in cumulative translation		6.6	6.6
	-----	-----	-----
Balance at December 31, 1995	\$1,187.8	\$ (39.1)	\$1,148.7
	-----	-----	-----

NOTE 8 -- REVENUES BY CLASS OF SIMILAR PRODUCTS OR SERVICES (UNAUDITED)

The Company operates in one industry segment, the information processing

industry, supplying products and services to meet the information processing needs for a variety of customer applications. Below are the product and service revenues by class of similar products or services for each of the years ended December 31.

<TABLE>

<CAPTION>

	1995	1994	1993
	-----	-----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
REVENUE BY CLASSES OF SIMILAR PRODUCTS OR SERVICES			
Information processing, management and storage	\$ 930.7	\$ 935.4	\$ 947.3
Information printing	542.2	566.0	567.0
Medical and photo imaging	608.1	589.1	564.4
Other	164.6	190.0	229.1
	-----	-----	-----
Total	\$2,245.6	\$2,280.5	\$2,307.8
	-----	-----	-----

</TABLE>

NOTE 9 -- GEOGRAPHIC AREAS

Information in the table below is presented on the same basis utilized by the Company to manage its business. Export sales and certain income and expense items are reported in the geographic area where the final sale to customers is made, rather than where the transaction originates.

<TABLE>

<CAPTION>

		UNITED STATES	EUROPE*	OTHER INTERNATIONAL AREAS**	ELIMINATIONS AND OTHER	TOTAL COMPANY
		-----	-----	-----	-----	-----
		(MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Revenues to Customers	1995	\$1,128.8	\$803.8	\$313.0		\$2,245.6
	1994	1,199.9	764.1	316.5		2,280.5
	1993	1,247.8	763.2	296.8		2,307.8
Transfers Between Geographic Areas	1995	\$ 290.9	\$ 76.2	\$ 4.0	\$ (371.1)	
	1994	341.2	89.4	0.1	(430.7)	
	1993	310.9	86.5	0.1	(397.5)	
Operating Income (Loss)	1995***	\$ (169.0)	\$ 55.8	\$ (35.7)		\$ (148.9)
	1994	1.5	72.9	21.4		95.8
	1993	6.0	97.8	36.7		140.5
Identifiable Assets	1995	\$ 816.4	\$575.7	\$149.7	\$ (0.3)	\$1,541.5
	1994	894.9	582.9	194.7	(0.8)	1,671.7
	1993	857.4	517.8	176.2	(5.8)	1,545.6

</TABLE>

* Includes operations in the Middle East and Africa since such regions are managed together with Europe. These operations are not material to the overall financial results of the Company.

** Includes Latin America, Asia and Canada.

*** Includes special charges of \$99.8 million in the United States, \$20.4 million in Europe and \$46.1 million in Other International Areas.

NOTE 10 -- RETIREMENT PLANS

Prior to the Distribution, employees of the Company participated in various 3M-sponsored retirement plans covering substantially all 3M United States employees and many employees outside the United States. The following information is provided for historical purposes only, since the Company intends to adopt different retirement plans.

3M's pension benefits are based principally on an employee's years of service and compensation near retirement. Plan assets are invested in common stocks, fixed-income securities, real estate and other investments.

3M's funding policy is to deposit with an independent trustee amounts at least equal to those required by law. A trust fund is maintained to provide pension benefits to United States plan participants and their beneficiaries. In addition, a number of plans are maintained by deposits with insurance companies. The Company's allocated portion of pension costs were \$24 million, \$25 million and \$28 million in 1995, 1994 and 1993, respectively.

Net pension cost and the funded status of pension plans as shown below includes all employees covered by 3M plans including those associated with the Company. 3M has decided to retain the accrued liabilities (and the assets attributable to such liabilities) under its United States pension plan pertaining to employees

of the Company. The Company intends to adopt a separate cash balance pension plan to be effective July 1, 1996 which will cover substantially all United States employees of the Company. All employees of the Company who are previous employees of 3M will retain their rights to receive their accrued benefits under 3M's United States pension plan.

<TABLE>
<CAPTION>

	U.S. PLAN			INTERNATIONAL PLANS		
	1995	1994	1993	1995	1994	1993
	(MILLIONS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NET PENSION COST						
Service cost	\$ 96	\$ 117	\$ 110	\$ 86	\$ 85	\$ 86
Interest cost	304	280	276	92	89	80
Return on plan assets --						
actual	(846)	70	(430)	(124)	(2)	(185)
Net amortization and deferral	532	(377)	154	39	(79)	112
Net pension cost	\$ 86	\$ 90	\$ 110	\$ 93	\$ 93	\$ 93

</TABLE>

<TABLE>
<CAPTION>

	U.S. PLAN		INTERNATIONAL PLANS		<C>
	1995	1994	1995	1994	
	(MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>
FUNDED STATUS OF PENSION PLANS					
Plan assets at fair value	\$4,134	\$3,343	\$1,293	\$1,333	
Accrued pension cost	97	161	110	97	
Amount provided for future benefits	\$4,231	\$3,504	\$1,403	\$1,430	
Actuarial present value of:					
Vested benefit obligation	3,666	2,889	1,051	1,022	
Non-vested benefit obligation	521	423	108	100	
Accumulated benefit obligation	\$4,187	\$3,312	\$1,159	\$1,122	
Amount provided for future benefits less					
accumulated benefit obligation	44	192	244	308	
Projected benefit obligation	4,696	3,721	1,482	1,514	
Plan assets at fair value less projected benefit					
obligation	\$ (562)	\$ (378)	\$ (189)	\$ (181)	
Unrecognized net transition (asset) obligation	(149)	(187)	22	22	
Other unrecognized items	614	404	57	62	
Accrued pension cost	\$ (97)	\$ (161)	\$ (110)	\$ (97)	

</TABLE>

<TABLE>
<CAPTION>

	U.S. PLAN			INTERNATIONAL PLANS		
	1995	1994	1993	1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSUMPTIONS AT YEAR-END						
Discount rate	7.00%	8.25%	7.25%	7.10%	7.45%	7.26%
Compensation rate increase	5.00%	5.00%	5.00%	5.38%	5.71%	5.31%
Long-term rate of return on assets	9.00%	9.00%	9.00%	7.59%	7.65%	7.64%

</TABLE>

Net pension cost is determined using assumptions at the beginning of the year. Funded status is determined using assumptions at year-end.

Prior to the Distribution, U.S. employees of the Company also participated in a 3M-sponsored employee savings plan under Section 401(k) of the Code. Under this plan, 3M matches employee contributions of up to 6 percent of compensation at rates ranging from 35 to 85 percent depending upon financial performance. 3M's matching contributions to the employee savings plan are funded through an employee stock ownership plan. The Company's allocation of the expense related to the employee savings plan was \$4.5 million, \$4.6 million and \$4.7 million in 1995, 1994 and 1993, respectively.

The Company expects to adopt its own employee savings plan under Section 401(k) of the Code pursuant to which it will make matching contributions through an employee stock ownership plan.

NOTE 11 -- OTHER POSTRETIREMENT BENEFITS

Prior to the Distribution, employees of the Company who were eligible to retire from 3M were eligible to participate in various 3M health care and life insurance benefit plans available to substantially all of 3M's United States employees. The following information is provided for historical purposes only, since the Company does not intend to adopt similar postretirement benefit plans.

3M has set aside funds with an independent trustee for these postretirement benefits and makes periodic contributions to the plans. The assets held by the trustee are invested in common stocks and fixed-income securities. Employees outside the United States are covered principally by government-sponsored plans. The cost of 3M-provided plans for these employees is not material. The Company's allocation of the net charges to income for plans covering United States employees was \$9 million, \$8 million and \$8 million in 1995, 1994 and 1993, respectively.

The table below sets forth the historical components of the net periodic postretirement benefit cost and a reconciliation of the funded status of the postretirement benefit plans for all 3M United States employees including those associated with the Company.

	1995	1994	1993
	----	----	----
	(MILLIONS)		
NET PERIODIC POSTRETIREMENT BENEFIT COST			
Service cost	\$ 26	\$ 28	\$ 23
Interest cost	63	55	53
Return on plan assets -- actual	(76)	16	(23)
Net amortization and deferral	51	(40)	1
	----	----	----
Total	\$ 64	\$ 59	\$ 54
	----	----	----

	1995	1994
	-----	-----
	(MILLIONS)	
FUNDED STATUS OF POSTRETIREMENT BENEFIT PLANS		
Fair value of plan assets	\$ 398	\$ 319
	-----	-----
Accumulated postretirement benefit obligation:		
Retirees	\$ 286	\$ 256
Fully eligible active plan participants	201	167
Other active plan participants	468	367
	-----	-----
Benefit obligation	\$ 955	\$ 790
	-----	-----
Plan assets less benefit obligation	\$ (557)	\$ (471)
Adjustments and unrecognized items	134	67
	-----	-----
Accrued postretirement cost	\$ (423)	\$ (404)
	-----	-----

The accumulated postretirement benefit obligation and related benefit cost are determined through the application of relevant actuarial assumptions. 3M anticipates its health care cost trend rate to slow from 6.9 percent in 1996 to 5.0 percent in 2003, after which the trend rate is expected to stabilize. The effect of a one percentage point increase in the assumed health care cost trend rate for each future year would increase the benefit obligation by \$78 million and the current year benefit expense by \$9 million. Other actuarial assumptions include an expected long-term rate of return on plan assets of 9.0 percent (before taxes applicable to a portion of the return on plan assets), and a discount rate of 7.0 percent.

NOTE 12 -- EMPLOYEE STOCK PLANS

Prior to the Distribution certain employees of the Company participated in 3M's Management Stock Ownership Program covering management employees of 3M. In lieu of a 1996 annual grant under 3M's program, the Company intends to grant to its employees who would otherwise have been eligible to receive a 1996 grant under such Program, options to purchase shares of Common Stock under the new stock option plan of the Company which was approved by 3M, as the sole stockholder of the Company, prior to Distribution.

As a result, shortly after the Distribution the Company expects to grant to such employees options to purchase approximately 800,000 shares of Common Stock.

NOTE 13 -- COMMITMENTS AND CONTINGENCIES

The Company is a party to various claims and litigation arising from the normal

course of business, including product liability and environmental claims. While there can be no certainty that the Company may not ultimately incur charges in excess of presently established accruals, management believes that such additional charges, if any, will not have a material adverse effect on the Company's financial position.

On or immediately after the Distribution, the Company expects to enter into a debt facility agreement to borrow approximately \$280 million. Of this amount, the Company will lend \$30 million to the employee stock ownership plan it will establish. The terms of these borrowings are expected to contain customary covenants including financial covenants. In addition, in connection with the Distribution the Company intends to enter into a number of agreements with 3M to facilitate the Distribution and the transition of the Company to an independent business enterprise. Such agreements are expected to relate to tax sharing matters, corporate services to be provided by 3M, environmental liabilities, intellectual property, supply, service, contract manufacturing and sales agency matters, and shared facilities.

NOTE 14 -- NEW ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. The impact of this statement on the Company is immaterial.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation." This statement establishes financial accounting and reporting standards for stock-based employee compensation plans. The Company intends to follow the option that permits entities to continue to apply current accounting standards to stock-based employee compensation arrangements. Effective with year-end 1996 reporting, the Company will disclose pro forma net income and earnings per share amounts as if Statement No. 123 accounting were applied to the Company's stock compensation programs that may exist once the Company is established as a separate entity from 3M.

PART II

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements -- Index to Historical Financial Statements

(b) Exhibits:

EXHIBIT NUMBER	DESCRIPTION
2.1	Form of Transfer and Distribution Agreement, to be dated as of June 18, 1996, between Minnesota Mining and Manufacturing Company ("3M") and the Registrant.
3.1 *	Restated Certificate of Incorporation of the Registrant.
3.2 *	Amended and Restated By-Laws of the Registrant.
4.1 *	Rights Agreement, dated as of June 18, 1996 between the Registrant and Norwest Bank Minnesota, N.A., as Rights Agent.
4.2 *	Form of Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant.
10.1	Form of Tax Sharing and Indemnification Agreement, to be dated as of July 1, 1996 between 3M and the Registrant.
10.2	Form of Corporate Services Transition Agreement, to be dated as of July 1, 1996 between 3M and the Registrant.
10.3	Form of Environmental Matters Agreement to be dated as of July 1, 1996 between 3M and the Registrant.
10.4	Form of Intellectual Property Rights Agreement, to be dated as of July 1, 1996 between 3M and the Registrant.
10.5	Forms of Supply Agreement, to be dated as of July 1, 1996, between 3M and the Registrant.
10.6	Form of Lease Agreement to be dated as of July 1, 1996 between 3M and the Registrant.
10.7	Form of Employment Agreement, to be dated as of July 1, 1996, between William T. Monahan and the Registrant.
10.8	Form of Imation 1996 Employee Stock Incentive Program.
10.9	Form of Imation Cash Balance Pension Plan.
10.10	Form of Imation Excess Benefit Plan.
10.11	Form of Imation 1996 Retirement Investment Plan.
10.12	Form of Imation 1996 Director Stock Compensation Program.
10.13	Commitment Letter, dated as of June 10, 1996, among 3M, the Registrant, Citibank, N.A. and Citibank Securities, Inc.
21.1	Subsidiaries of the Registrant.

*Previously filed.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

IMATION CORP.

By /S/ W.T. MONAHAN
Name: W.T. Monahan
Title: Chief Executive Officer

Date: June 19, 1996

EXHIBIT INDEX

<TABLE>		
<CAPTION>		
EXHIBIT NUMBER	DESCRIPTION	PAGE
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</TABLE>

* Previously filed.

TRANSFER AND DISTRIBUTION AGREEMENT

Dated as of June 18, 1996

between

MINNESOTA MINING AND MANUFACTURING COMPANY

and

IMATION CORP.

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TRANSFER AND DISTRIBUTION AGREEMENT

TRANSFER AND DISTRIBUTION AGREEMENT, dated as of June 18, 1996, by and between Minnesota Mining and Manufacturing Company, a Delaware corporation ("3M"), and Imation Corp., a Delaware corporation and a wholly owned subsidiary of 3M ("Imation").

WHEREAS, 3M has, among other endeavors, been engaged in the research, manufacturing and marketing of products in its Imaging Systems Group (the "Imaging Systems Group") and Memory Technologies Group (collectively, including the business units and plants set forth on Schedule 1.1A hereto, but not including the business units and plants set forth on Schedule 1.1B hereto, the "Transferred Businesses");

WHEREAS, the Board of Directors of 3M has determined that the interests of 3M's businesses and shareholders would be best served by separating its businesses into two separate companies, one consisting of the Transferred Businesses and the other consisting of 3M's core businesses (the "Core Businesses");

WHEREAS, in furtherance of the foregoing, 3M wishes to transfer and assign to Imation substantially all of the assets and properties of the Transferred Businesses specified in this Agreement in exchange for (i) the assumption by Imation of substantially all of the liabilities and obligations relating to the Transferred Businesses specified in this Agreement and (ii) the issuance to 3M by Imation of shares of its common stock, par value \$.01 per share (the "Imation Common Stock");

WHEREAS, Imation is willing to assume such liabilities and obligations and to issue such shares of Imation Common Stock to 3M in exchange for such assets and properties;

WHEREAS, 3M intends to distribute all of the outstanding shares of Imation Common Stock, on a pro rata basis, to the holders of the common stock of 3M, without par value (the "3M Common Stock") (such distribution hereinafter referred to as the "Distribution");

WHEREAS, 3M and Imation have determined that it is necessary and desirable to set forth the principal corporate transactions required to effect the Distribution and to set forth other agreements that will govern certain other matters in connection with the Distribution.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and intending to be legally bound hereby, 3M and Imation hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 General. As used in this Agreement, capitalized terms defined immediately after their use shall have the respective meanings thereby provided and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

Accrued Benefits: shall have the meaning set forth in Section 8.2(e) (ii) hereof.

Action: any action, claim, suit, arbitration, inquiry, subpoena, discovery request, proceeding or investigation by or before any court or grand jury, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

Affiliate: with respect to any specified person, a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person; provided, however, that 3M and Imation shall not be deemed to be Affiliates of each other for purposes of this Agreement.

Agent: Norwest Bank Minnesota, N.A., the distribution agent appointed by 3M to distribute shares of Imation Common Stock pursuant to the Distribution.

Asset and Liability Transfer: shall have the meaning set forth in Section 2.1(b) hereof.

Assumed Liabilities: collectively, all of the Liabilities and other obligations of 3M listed on Annex I hereto which are to be assumed by Imation or its Affiliates as part of the transaction.

Bids, Quotations and Proposals: the bids, quotations or proposals which have been submitted or made by the Transferred Businesses or 3M on behalf of the Transferred Businesses which are outstanding as of the Distribution Date.

Books and Records: the books and records of 3M (or true and complete copies thereof), including all computerized books and records owned by 3M, which relate principally to the Transferred Businesses and are necessary for Imation to operate the Transferred Businesses, including, without limitation, all such books and records relating to Transferred Employees, the purchase of materials, supplies and services, the manufacture and sale of products by the Transferred Businesses or dealings with customers of the Transferred Businesses and all files relating to any Action being assumed by Imation as part of the Assumed Liabilities.

COBRA: shall have the meaning set forth in Section 8.4(a) (ii) hereof.

Code: the Internal Revenue Code of 1986, as amended.

Contract Manufacturing Agreements: the Contract Manufacturing Agreements, in the form of the agreements attached as Exhibit K hereto, pursuant to which 3M will manufacture certain products for Imation and Imation will manufacture certain products for 3M.

Conveyancing and Assumption Instruments: collectively, the various agreements, instruments and other documents to be entered into in order to effect the transfer to Imation of Transferred Assets, and the assumption by Imation of the Assumed Liabilities in the manner contemplated by this Agreement.

Core Businesses: shall have the meaning set forth in the second WHEREAS clause hereof.

Corporate Services Transition Agreement: the Corporate Services Transition Agreement, substantially in the form set forth as Exhibit A hereto, pursuant to which 3M will provide to Imation certain corporate services specified therein.

Debt Available for Foreign Purchase Transactions: shall have the meaning set forth in Section 2.3(xiii) hereof.

Defend: address or respond in any manner to any Action brought, asserted, commenced or pursued by any person or entity that is not a party to this Agreement.

Defense: the plan for or state of defending.

Dispute: shall have the meaning set forth in Section 10.1 hereof.

Distribution: the distribution as a dividend to holders of 3M Common Stock of Imation Common Stock on the basis provided in Section 4.1 hereof, which shall be effective on the date specified for the dividend by the 3M Board of Directors.

Distribution Date: the date as of which the Distribution shall be effected as determined by the 3M Board of Directors.

EBTA: shall have the meaning set forth in Section 8.3(a) (ii) hereof.

Enterprise Assets: collectively, all of the assets of 3M identified on Annex V hereto which are to be transferred to Imation Enterprises in connection with the Distribution.

Enterprise Liabilities: collectively, all of the Liabilities and other obligations of 3M identified on Annex IV hereto which are to be assumed by Imation Enterprises in connection with the Distribution.

Enterprise Operations: collectively, the operations conducted by 3M at the manufacturing facilities of 3M's Imaging Systems Group or at the manufacturing facilities located at Weatherford, Oklahoma or Menomonic, Wisconsin, all sales and field logistic operations and the operations conducted by 3M's HESD Field Service and Customer Support department, in all instances to the extent part of the domestic operations of the Transferred Businesses.

Environmental Matters Agreement: the agreement, substantially in the form of Exhibit B hereto, pursuant to which 3M and Imation have provided for certain environmental matters.

ERISA: the Employee Retirement Income Security Act of 1974, as amended.

ESOP Transfer: shall have the meaning set forth in Section 8.2(b) hereof.

ESOP Transfer Date: shall have the meaning set forth in Section 8.2(b) hereof.

Exchange Act: the Securities Exchange Act of 1934, as amended.

First Party: shall have the meaning set forth in Section 7.5(b) hereof.

Foreign Asset Transfer Agreements: the Foreign Asset Transfer Agreements, substantially in the form of the agreements attached as Exhibit M hereto, pursuant to which certain assets will be sold between respective Affiliates of 3M and Imation.

Form 10: the registration statement on Form 10 filed by Imation with the SEC to effect the registration of the Imation Common Stock pursuant to the Exchange Act.

Grandfathered Employees: shall have the meaning set forth in Section 8.2(h) (ii) hereof.

Imaging Systems Group: shall have the meaning set forth in the first WHEREAS clause hereof.

Imation Common Stock: shall have the meaning set forth in the third WHEREAS clause hereof.

Imation Defined Benefit Plans: shall have the meaning set forth in Section 8.2(a) (i) hereof.

Imation Defined Contribution Plan: shall have the meaning set forth in Section 8.2(a) (i) hereof.

Imation Employee Stock Incentive Plan: shall have the meaning set forth in Section 8.8(c) hereof.

Imation Enterprises: Imation Enterprises Corp., a Delaware corporation and, as of the date of this Agreement, a wholly owned subsidiary of 3M.

Imation Flexible Benefits Program: shall have the meaning set forth in Section 8.3(c)(ii) hereof.

Imation Nonqualified Pension Plan: shall have the meaning set forth in Section 8.2(a)(iii) hereof.

Imation Party: shall have the meaning set forth in Section 5.4 hereof.

Imation Pension Plans: shall have the meaning set forth in Section 8.2(a)(i) hereof.

Imation Shared Facilities: shall have the meaning set forth in Section 6.12(a) hereof.

Imation Stock Options: shall have the meaning set forth in Section 8.8(c) hereof.

Imation VEBA: shall have the meaning set forth in Section 8.3(a)(i) hereof.

Indemnifiable Loss Deduction: shall have the meaning set forth in Section 5.1(d)(i) hereof.

Indemnifiable Losses: with respect to any claim by an Indemnified Party for indemnification authorized pursuant to Article V hereof, any and all losses, liabilities, claims, damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and expenses in connection therewith) suffered by such Indemnified Party with respect to such claim.

Indemnification Claimant: shall have the meaning set forth in Section 5.2(c) hereof.

Indemnified Party: any party who is entitled to receive payment from an Indemnifying Party pursuant to Article V hereof.

Indemnifying Party: any party who is required to pay any other person pursuant to Article V hereof.

Indemnity Payment: the amount an Indemnifying Party is required to pay an Indemnified Party pursuant to Article V hereof.

Indemnity Return: shall have the meaning set forth in Section 5.1(d)(i) hereof.

Information: shall have the meaning set forth in Section 7.2 hereof.

Information Statement: the information statement to be sent to the holders of 3M Common Stock in connection with the Distribution.

Insurance Program: collectively, the series of policies pursuant to which various insurance carriers provide insurance coverage to 3M and its Affiliates in respect of claims or occurrences relating to, without limitation, property damage, manufacturer's output, business interruption, transit, fire, extended coverage, fiduciary, fidelity, environmental impairment, employee crime, general liability, products' liability, automobile liability and employer's liability, excluding risks assumed by Seaside without the benefit of reinsurance.

Intellectual Property Agreement: the Intellectual Property Rights Agreement, substantially in the form of Exhibit C hereto, pursuant to which 3M and Imation are providing for certain matters involving intellectual property.

Joint Defense Agreement: any agreement, substantially in the

form of Exhibit D hereto, which may be entered into by 3M and Imation with respect to their defense of certain matters.

Joint Representation and Defense Agreement: any agreement, substantially in the form of Exhibit E hereto, which may be entered into by 3M and Imation with respect to representation and defense of certain matters.

Leased Employees: As provided in the Leased Employee Agreement, all hourly and salaried employees of 3M at 3M's Rochester, New York facility, all hourly employees in the CD Rom section of 3M's Menomonie, Wisconsin facility, and all other 3M employees listed on attachments to the Leased Employee Agreement who are leased to Imation and/or its Affiliates for various periods as provided in the Leased Employee Agreement.

Leased Employee Agreement: The Leased Employee Agreement, substantially in the form of Exhibit R hereto, pursuant to which Imation and/or Imation Enterprises will lease the Leased Employees from 3M.

Liabilities: any and all debts, liabilities and obligations, whether accrued, contingent (known or unknown) or reflected on a balance sheet, including, without limitation, those arising under any law, rule, regulation, Action, order or consent decree of any governmental entity or any judgment of any court of any kind or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking.

Minnesota Research: shall have the meaning set forth in Section 2.3(viii) hereof.

1996 Grants: shall have the meaning set forth in Section 8.8(c) hereof.

Non-Permitted Names: shall have the meaning set forth in Section 6.9 hereof.

Option: an option to purchase shares of 3M Common Stock under any of the Stock Option Plans.

O.U.S. Transferred Employees: shall have the meaning set forth in Section 8.1 hereof.

Parent Assets: shall have the meaning set forth in Section 2.1(a) hereof.

Parent Liabilities: shall have the meaning set forth in Section 2.1(a) hereof.

Pilot Plant Assets: the assets utilized by the Transferred Businesses relating to the pilot plants located in buildings 235 and 236 of 3M Center which are set forth on Schedule 1.1D hereto.

Privilege(s): shall have the meaning set forth in Section 7.6(a) hereof.

Privileged Information: shall have the meaning set forth in Section 7.6(a) hereof

Progressive Stock Options: shall have the meaning set forth in Section 8.8(a) hereof.

PUP: shall have the meaning set forth in Section 8.4(a)(iv) hereof.

Record Date: the date determined by the Board of Directors of 3M as the record date for the Distribution.

Recovery: the amount obtained pursuant to a claim under an insurance policy in the Insurance Program.

Redistribution Agreement: the Redistribution Agreement, in the form of Exhibit J hereto, pursuant to which 3M will distribute certain products on behalf of Imation.

Related Agreements: the Conveyancing and Assumption Instruments, Corporate Services Transition Agreement, Environmental Matters Agreement, Intellectual Property Agreement, Tax Sharing Agreement, Services

Agreements, Supply Agreements, Sales Agency Agreements, Redistribution Agreement, Contract Manufacturing Agreements, Shared Facility Agreements, the Leased Employee Agreement, the foreign transfer agreements, and the various service, supply and other agreements to be entered into between 3M and its subsidiaries, on the one hand, and Imation and its subsidiaries on the other hand in connection with the Distribution and the other transactions contemplated hereby.

Retained Liabilities: collectively, all of the Liabilities and obligations of 3M listed on Annex II hereto.

Sales Agency Agreements: the Sales Agency Agreements, in the form of the agreements attached as Exhibit I hereto, pursuant to which 3M will provide certain sales services to Imation and Imation will provide certain sales services to 3M, as the case may be.

SEC: the Securities and Exchange Commission.

Services Agreements: the Services Agreements, in the form of the agreements attached as Exhibit G hereto, pursuant to which 3M will provide certain services to Imation or Imation will provide certain services to 3M, as the case may be.

Shared Facility Agreements: the Shared Facilities Lease Agreements, in the form of the agreements attached as Exhibit Q, pursuant to which 3M or Imation will lease to the other a portion of a facility and provide certain services in connection therewith.

Shared Facility Arrangements: shall have the meaning set forth in Section 6.12(a) hereof.

Shared Facility Term: with respect to a specific Shared Facility Agreement, the term set forth in such agreement, as such term may be extended or shortened in accordance with the terms of such agreement.

Special Retirement Benefits: shall mean the 3M Special Retirement Benefits and the Imation Special Retirement Benefits as defined in Sections 8.2(e) (iv) and 8.2(h) (ii) hereof.

Stock Option Plans: 3M's 1987 and 1992 Management Stock Ownership Programs.

Supply Agreements: the Supply Agreements, in the form of the agreements attached as Exhibit H hereto, pursuant to which 3M and Imation will provide certain materials to each other.

Tax Saving Amount: shall have the meaning set forth in Section 5.1(d) (ii) hereof.

Tax Sharing Agreement: the Tax Sharing and Indemnification Agreement, in the form of Exhibit F hereto, pursuant to which 3M and Imation have provided for certain tax matters.

Third Party Claim: shall have the meaning set forth in Section 5.2(a) hereof.

3M Center Assets: the assets located at 3M Center which are principally utilized by the Transferred Businesses and are to be transferred to Imation or Imation Enterprises pursuant to Section 2.1 hereof, as identified on Schedule 1.1E hereof.

3M Common Stock: shall have the meaning set forth in the fifth WHEREAS clause hereof.

3M Defined Benefit Plans: shall have the meaning set forth in Section 8.2(e) hereof.

3M 401(K)/ESOP: shall have the meaning set forth in Section 8.2(b) hereof.

3M Nonqualified Pension Plans: shall have the meaning set forth in Section 8.2(e) hereof.

3M Options: shall have the meaning set forth in Section 8.8(a) hereof.

3M Party: shall have the meaning set forth in Section 5.4 hereof.

3M Pension Plans: shall have the meaning set forth in Section 8.2(e) hereof.

3M Post Retirement Medical Plans: shall have the meaning set forth in Section 8.3(a)(iii) hereof.

3M Qualified Pension Plans: shall have the meaning set forth in Section 8.2(e) hereof.

3M Shared Facility: shall have the meaning set forth in Section 6.12(a) hereof.

3M Survivor Program: shall have the meaning set forth in Section 8.2(a) hereof.

3M VEBA: shall have the meaning set forth in Section 8.3(a)(i) hereof.

Transaction Taxes: shall have the meaning set forth in Section 6.8 hereof.

Transferred Assets: collectively, all of the assets and properties of 3M and its Affiliates identified on Annex III hereto.

Transferred Businesses: the businesses referred to as such in the first WHEREAS clause of this Agreement, including any businesses (such as Dynacolor, the Data Cartridge Drive Business and Comtal) or products of 3M that were discontinued or otherwise terminated by 3M prior to the Distribution Date, to the extent, but only to the extent, that such businesses were conducted or products were sold as part of the business units (irrespective of the name of any such unit at the time) referred to as part of the Transferred Businesses in such WHEREAS clause.

Transferred Employee: any employee of 3M who is employed by the business units, or at the plants listed on Schedule 1.1A, any 3M employee from the 3M staff organizations, such as engineering, controllers, human resources or Legal Affairs, who is assigned full-time to one of such business units or plants as of the Distribution Date or who is listed on Schedule 1.1C, domestic employees of 3M who are on the Distribution Date assigned Inactive Status Codes 20, 21, 22, 23, 24, 32 and 34, or Special Status Codes 30, 40 and 41 (a copy of 3M's human resources codes is attached as Schedule 1.1F) and who last worked for the business units or at the plants listed on Schedule 1.1A, any foreign employee identified on schedules to, or otherwise contemplated by, the various foreign transfer agreements, and any employee of 3M who has volunteered to be employed by Imation as of the Distribution Date, but excluding 3M employees who, as of the Distribution Date, are: Leased Employees, 3M employees on Pre-Retirement Leave Status, 3M employees on 3M's Unassigned List or 3M employees in those portions of Imation's facilities leased by 3M from Imation and, further, excluding 3M employees who have accepted on or prior to the Distribution Date voluntary separation plans offered prior to the Distribution Date by the business units or at the plants listed on Schedule 1.1A.

U.S. Transferred Employees: shall have the meaning set forth in Section 8.1 hereof.

WARN Act: shall have the meaning set forth in Section 6.10 hereof.

ARTICLE II

REORGANIZATION AND RELATED TRANSACTIONS

Section 2.1 The Reorganization.

(a) Subject to the terms and conditions of this Agreement, 3M and Imation shall cause, on the Distribution Date, (i) all of 3M's right, title and interest in and to the Transferred Assets (other than the Enterprise Assets) (the "Parent Assets") to be conveyed, assigned, transferred and delivered to Imation (or the appropriate Imation Affiliate), free and clear of all liens or

encumbrances in favor of 3M, (ii) all of 3M's duties, obligations and responsibilities under the Assumed Liabilities (other than the Enterprise Liabilities) (the "Parent Liabilities") to be assumed by Imation (or the appropriate Imation Affiliate), and (iii) all of 3M's right, title and interest in and to all capital stock of Imation Enterprises to be conveyed, assigned, transferred and delivered to Imation, free and clear of all liens or encumbrances in favor of 3M.

(b) Subject to the terms and conditions of this Agreement, 3M and Imation shall cause, immediately prior to the transfer and assumption contemplated by Section 2.1(a) hereof, (i) all of 3M's right, title and interest in and to the Enterprise Assets to be conveyed, assigned, transferred and delivered to Imation Enterprises, free and clear of all liens or encumbrances in favor of 3M, and (ii) all of 3M's duties, obligations and responsibilities under the Enterprise Liabilities to be assumed by Imation Enterprises (the transfers set forth in subsections (a) and (b) hereof, the "Asset and Liability Transfer").

(c) Subject to Section 6.3 hereof, to the extent that any such conveyances, assignments, transfers and deliveries shall not have been so consummated on the Distribution Date, 3M and Imation shall cooperate to effect such consummation as promptly thereafter as shall be practicable, it nonetheless being understood and agreed by 3M and Imation that neither shall be liable in any manner to any person who is not a party to this Agreement for any failure of any of the transfers contemplated by this Article II to be consummated on or subsequent to the Distribution Date. Whether or not all of the Parent Assets or the Parent Liabilities shall have been legally transferred to Imation or all of the Enterprise Assets or the Enterprise Liabilities shall have been legally transferred to Imation Enterprises as of the Distribution Date, 3M and Imation agree that, as of the Distribution Date, Imation and Imation Enterprises shall have, and shall be deemed to have acquired, complete and sole beneficial ownership over all of the Parent Assets and Enterprise Assets, respectively, except as described herein with respect to assets which are non-assignable, together with all of 3M's rights, powers and privileges (except as provided in Section 7.6 hereto) incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement all of the Parent Liabilities and Enterprise Liabilities, respectively, and all of 3M's duties, obligations and responsibilities incident thereto.

(d) In furtherance of the transfers and assumptions contemplated by the foregoing Sections 2.1(a) and (b), Imation and 3M, as between the two of them, acknowledge and agree as follows: (a) 3M and its Affiliates shall have no obligation or liability of any kind to Imation or its Affiliates for any condition existing at or prior to the Distribution Date or for any conduct, act or omission by or on behalf of 3M, its Affiliates or any other person on, or at any time prior, to the Distribution Date; and Imation and its Affiliates shall have no claims, or right to bring a claim or Action, against 3M or its Affiliates with respect thereto, including (without limitation) any claim or Action arising out of (i) the operation of the Transferred Businesses on or before the Distribution Date, (ii) any advice, rights, products or services made available to the Transferred Businesses, on or before the Distribution Date, by 3M, its Affiliates or any other person, (iii) the Assumed Liabilities or (iv) the formation of Imation; except for, and to the extent of, any responsibilities specifically retained by 3M or any of its Affiliates pursuant to the terms of this Agreement or any of the Related Agreements; and (b) Imation and its Affiliates shall have no obligation or liability of any kind to 3M or its Affiliates for any condition existing at or prior to the Distribution Date or for any conduct, act or omission by or on behalf of Imation, its Affiliates or any other person on, or at any time prior to, the Distribution Date; and 3M and its Affiliates shall have no claims, or right to bring a claim or Action, against Imation or its Affiliates with respect thereof, including (without limitation) any claim or Action arising out of (i) the operations of 3M other than the Transferred Businesses on or before the Distribution Date, (ii) any advice, rights, products or services made available to 3M or its Affiliates, on or before the Distribution Date, by the Transferred Businesses or any other person or (iii) the Retained Liabilities; except for, and to the extent of, any responsibilities specifically assumed by Imation or any of its Affiliates pursuant to the terms of this Agreement or any of the Related Agreements.

(e) Representatives of 3M and Imation have prepared schedules to identify equipment located at various domestic manufacturing facilities which is not to be retained by the party retaining the respective facilities. These schedules, which have been initialled by the respective heads of manufacturing for 3M and Imation, shall be binding on the parties so as to resolve any

questions as to the allocation of equipment at such facilities.

Section 2.2 Assumption of Parent Liabilities. In consideration for the conveyance, assignment, transfer and delivery of the Parent Assets and Enterprise Assets being made pursuant to Section 2.1 hereof, Imation agrees to assume the Parent Liabilities and to issue and deliver to the Agent for delivery to stockholders of 3M as of the Record Date certificates representing the number of shares of Imation Common Stock provided for in Section 4.1 hereof and to cause Imation Enterprises to assume, pay, perform and discharge in due course any and all Enterprise Liabilities.

Section 2.3 Foreign Transfers. The foregoing notwithstanding, 3M and Imation shall cause the assets and liabilities related to the Transferred Businesses which are located outside the United States to be transferred in accordance with the following provisions:

(i) Italy. On or prior to the Distribution Date, the operations of 3M in Italy shall be reorganized pursuant to the agreements set forth as Exhibit L hereto, which reorganization shall effectively separate the respective operations of the Transferred Businesses and the Core Businesses in Italy. As a result of the reorganization, the operations of the Transferred Businesses shall be conducted by Imation Finanziaria S.p.A. (including its direct and indirect subsidiaries), the stock of which will be transferred to Imation on or prior to the Distribution Date.

(ii) France. On or prior to the Distribution Date, (i) the assets and liabilities of 3M in France related to the Transferred Businesses (other than certain trade receivables and payables) will be transferred to a newly formed subsidiary of the 3M subsidiary incorporated under the laws of such country and (ii) the stock of such subsidiary will be distributed to 3M and, thereafter, contributed to the capital of Imation, all as more fully described in the contribution agreement attached as Exhibit N hereto (the "French Contribution Agreement").

(iii) Argentina. On or prior to the Distribution Date, (i) the assets and liabilities of 3M in Argentina related to the Transferred Businesses will be transferred to a newly formed corporation incorporated under the laws of such country and (ii) the stock of such corporation will be contributed by 3M to the capital of Imation, all as more fully described in the minutes of a special shareholders meeting attached as Exhibit O hereto. Following the Distribution, Imation shall, or shall cause its Affiliate in Argentina to, indemnify and hold harmless 3M and its Affiliates against any and all liabilities arising as a result of any reduction in the workforce or closure of any facilities effected by Imation's Affiliate in Argentina following the Distribution Date.

(iv) Brazil. On or prior to the Distribution Date, (i) the assets and liabilities of 3M in Brazil related to the Transferred Businesses will be transferred to a newly formed corporation incorporated under the laws of such country and (ii) the stock of such corporation will be contributed by 3M to the capital of Imation, all as more fully described in the minutes of a special quotaholders meeting attached as Exhibit P hereto.

(v) India. Birla 3M Ltd. shall retain all assets and liabilities (including those relating to the Transferred Businesses) owned by it as of the Distribution Date. In addition, it is the present intention of the parties that, following the Distribution Date and subject to the receipt of any required approvals, Birla 3M Ltd. will act as a non-exclusive sales agent of Imation. At the time of the Distribution, Birla 3M Ltd. may transfer the inventory related to the Transferred Businesses to distributors designated by Imation and, in such event, Imation will, if requested, guarantee the payments to be made by the distributors.

(vi) Netherlands. On or prior to the Distribution Date, 3M shall cause to be assigned and transferred to Imation all of the outstanding interests of CD-Rom Services C.V.

(vii) Belgium. On or prior to the Distribution Date, 3M shall cause to be assigned and transferred to Imation all of the outstanding shares of CD-Rom Sales S.A.

(viii) United Kingdom. The transfer of operations of the Transferred Businesses in the United Kingdom shall be effected as follows:

* 3M agrees that if as at the date of this Agreement, 3M is

the beneficial owner of the building known as Building 2, 3M House, Bracknell, England, it shall transfer the said Building 2 to Imation in accordance with Section 2.1 hereof or if 3M is not the beneficial owner of the said Building 2 as at the date of this Agreement, 3M shall cause its Affiliate in the United Kingdom to agree to sell to 3M the said Building 2 and 3M shall procure the transfer of the said Building 2 to Imation in accordance with Section 2.1. Any such transfers shall be subject to (and with the benefit of) any leases of parts of the said Building 2 previously granted by any Affiliate of 3M in the United Kingdom or otherwise agreed to be granted to an Affiliate of 3M in the United Kingdom.

* As of the Distribution Date, the outstanding stock of Minnesota 3M Research Limited ("Minnesota Research") shall be transferred to Imation in the following manner: (a) the 80% interest owned by 3M UK Holdings PLC and 3M (Holdings) Limited shall be sold, assigned and transferred to 3M, and (b) the 100% interest then owned by 3M shall be transferred to Imation in accordance with the provisions of Section 2.1 hereof.

* The other assets and/or liabilities of the Transferred Businesses owned by Affiliates of 3M in the United Kingdom shall be transferred to an Affiliate(s) of Imation in a manner consistent with subparagraph (xii) below.

(ix) Japan. It is the intention of the parties, subject to the receipt of any required approvals, to transfer the Transferred Businesses in Japan to an Affiliate of Imation in Japan in a manner consistent with subparagraph (xii) below, although the parties recognize that the HESD businesses relating to the Core Businesses will not be transferred and that certain fixed assets may be leased, rather than sold.

(x) Korea. It is the intention of the parties, subject to the receipt of any required approvals, to transfer the Transferred Businesses in Korea to an Affiliate of Imation in Korea in a manner consistent with subparagraph (xii) below. Imation agrees that it will not establish for a period commencing on the Distribution Date and ending on the earlier of (a) consummation of the transfer contemplated by the preceding sentence or (b) the six month anniversary of the Distribution Date any independent operations in Korea.

(xi) China. It is the intention of the parties to transfer the Transferred Businesses in China to an Affiliate of Imation in China in a manner consistent with subparagraph (xii) below, although the parties recognize that the HESD businesses may not be transferred unless and until the Imation Affiliate in China obtains an appropriate license from the appropriate authorities in China.

(xii) Other Countries. On or prior to the Distribution Date, 3M shall use its best efforts to cause its Affiliate in each other country located outside the United States (in addition to those countries referred to in subparagraphs (viii)-(xi) above, as described therein) to sell to the Affiliate of Imation designated by Imation, and Imation shall use its best efforts to cause its respective Affiliate(s) to purchase from the appropriate 3M Affiliate, the inventory, property, plant and equipment and other assets of the Transferred Businesses owned by such 3M Affiliate, in consideration for a cash payment by the respective Imation Affiliate(s) to the respective 3M Affiliate equal to the value of the assets so transferred (net of assumed liabilities) which is reflected on the books of 3M at the time of the transfer, all as more fully set forth in the respective Foreign Asset Transfer Agreements (which shall be amended, as appropriate, to include deferred receivables under financing contracts). In the event that it is not feasible to effect the transfers contemplated by the preceding sentence on or prior to the Distribution Date in any particular country, 3M and Imation will continue, following the Distribution Date, their respective efforts to have such transfers and payments effected as promptly as practicable following the Distribution Date or, if Imation and 3M determine that such transfers are not capable of being effected on a timely basis (not to exceed 6 months), enter into such other arrangements as are mutually agreed upon which are intended to enable Imation to operate in such country on a basis similar to that being conducted by 3M with respect to the Transferred Businesses. Pending consummation of any such transfers or the entering into of other arrangements as contemplated by the preceding sentence, Imation and 3M shall enter into such arrangements as may be necessary to enable

3M and its Affiliates to continue to conduct the Transferred Businesses, including with respect to the supply of inventory. Following completion of each such transfer (or, if earlier, six months), either 3M shall pay to Imation an amount equal to any operating income after taxes and minority interests realized by 3M after the Distribution Date with respect to these operations or Imation shall pay to 3M an amount equal to any operating losses after taxes and minority interests realized by 3M after the Distribution Date with respect to these operations, as the case may be.

(xiii) Additional Cash Payments. (a) In connection with the Distribution, 3M shall contribute to the capital of Imation an amount in cash equal to the total amount to be paid by the respective Imation Affiliates pursuant to the preceding subparagraphs (viii)-(xii) (net of any V.A.T. or other similar taxes which are recoverable by the respective Imation Affiliates) less an amount equal to the Debt Available for Foreign Purchase Transactions. For purposes of the preceding sentence, the Debt Available for Foreign Purchase Transactions shall be an amount equal to \$200 million less the sum, without duplication, of (x) any debt presently outstanding (including accrued interest) to 3M from its Affiliates in Italy which is being assumed by an Affiliate of Imation and repaid with funds advanced by Imation or one of its Affiliates, (y) \$23 million, and (z) an amount equal to the vacation pay of the U. S. Transferred Employees, which is accrued on the books of 3M as of the Distribution Date. 3M shall make an estimated payment at the time of the Distribution (to reflect (x) payments actually made by Imation or its Affiliates at the time of the Distribution with respect to foreign transfers consummated at the time of the Distribution and (y) the estimated amounts utilized to determine the Debt Available for Foreign Purchase Transactions), which payment shall be adjusted from time to time by 3M and Imation to reflect (A) all payments contemplated by subparagraphs (viii) through (xii) above, including payments made with respect to delayed closings or as post-closing adjustments to the purchase prices paid at the time of the Distribution for foreign transfers effected as of the Distribution Date, and (B) the final amounts utilized to determine the Debt Available for Foreign Purchase Transactions. The amounts to be contributed by 3M pursuant to this Section 2.3(xiii)(a) shall be reduced by the amount of the cash balances, if any, as of the Distribution Date in the Imation Affiliates in Italy, France, Argentina and Brazil.

(b) Unless specifically provided otherwise, it is the intent of the parties that, for federal income tax purposes, all payments made pursuant to this Agreement shall be treated as adjustments (whether increases or decreases) to the amount of cash contributed to the capital of Imation pursuant to Section 2.3(xiii)(a) hereof, and, to the extent any such payments decrease the amount of such cash contributed (as adjusted by this Section 2.3(xiii)(b)) to zero, any additional payments shall be treated as otherwise relating back to the transfers made pursuant to Section 2.1(a) hereof.

(xiv) Certain Foreign Receivables/Payables. Notwithstanding anything contained herein to the contrary, the respective Affiliates of 3M in the countries a portion of whose businesses are being transferred in accordance with the provisions of subparagraphs (viii) through (xii) above and in France shall retain all trade receivables and all trade payables relating to the Transferred Businesses (except as otherwise provided in a specific Foreign Asset Transfer Agreement or the French Contribution Agreement) and, in connection therewith, 3M agrees to remit to Imation an amount equal to (a) such trade receivables (net of doubtful accounts determined in the ordinary course consistent with past practice) less trade payables, in each instance as reflected on the books of 3M as of Distribution Date, less (b) the amount by which intercompany trade receivables transferred to Affiliates of Imation exceed intercompany payables assumed by Affiliates of Imation. The amount payable pursuant to the preceding sentence shall be in U.S. dollars and paid in the following installments: one-third within 30 days of the Distribution Date, one-third within 60 days of the Distribution Date and the remainder within 90 days of the Distribution Date. Following the Distribution Date, the responsibility for such receivables and payables shall be entirely with 3M.

(xv) Foreign Exchange Rates. Except as agreed upon by 3M and Imation or as otherwise provided in this Agreement, all payments to each other shall be in U.S. dollars and all amounts represented on the books of 3M or Imation as a foreign currency obligation shall be converted into U.S. dollars based on the exchange rate quoted in The Wall Street Journal on the last business day preceding the Distribution Date (or as of such other day as may be agreed to by Imation and 3M) or, with respect to payments to be made with respect to a date other than the Distribution Date, the last business day preceding the respective applicable date (or as of such other day as may be agreed to by Imation and 3M). 3M and Imation acknowledge that neither party is

intended to benefit from any changes in exchange rates following the Distribution Date and that 3M and Imation will cooperate with each other to facilitate the prompt transfer of funds so as to minimize the potential effect of any changes in exchange rates.

(xvi) Structure. 3M and Imation recognize that the form of the transaction to effect the transfer of assets and liabilities in a particular country may change between the date of this Agreement and the Distribution Date, provided that any such change shall not adversely effect the rights or obligations being transferred to, or assumed by, Imation and its Affiliates. In such event, the provisions of this Section 2.3 shall be deemed to be amended appropriately to reflect the form of such transaction.

(xvii) Delayed Spinoff Transactions. 3M and Imation agree that the provisions set forth in the last three sentences of subparagraph (xii) shall also apply to the transactions contemplated in subparagraphs (iii) and (iv) should either of the transactions contemplated in such subparagraphs not be effected on the Distribution Date.

Section 2.4 3M Approval. 3M shall cooperate with Imation in effecting, and if so requested by Imation, 3M shall, as the sole stockholder of Imation and Imation Enterprises, ratify any actions which are reasonably necessary or desirable to be taken by Imation and Imation Enterprises to effectuate the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including, without limitation, the election or appointment of directors and officers of Imation to serve in such capacities following the Distribution Date (if not so appointed by the Board of Directors of Imation).

ARTICLE III

ASSUMPTION AND RETENTION OF LIABILITIES

Section 3.1 Assumed Liabilities. Upon the terms and subject to the conditions set forth in this Agreement and in addition to any other Liabilities otherwise expressly assumed by Imation pursuant to this Agreement, the Related Agreements or any other agreement contemplated by this Agreement, Imation hereby agrees with 3M to assume, pay, perform and discharge (or to cause the appropriate Affiliate of Imation to pay, perform and discharge) in due course any and all Assumed Liabilities (other than the Enterprise Liabilities) and cause Imation Enterprises to assume, pay, perform and discharge in due course any and all Enterprise Liabilities.

Section 3.2 Retained Liabilities. Upon the terms and subject to the conditions set forth in this Agreement and in addition to any other Liabilities otherwise expressly retained by 3M pursuant to this Agreement, the Related Agreements or any other agreement contemplated by this Agreement, 3M hereby agrees with Imation that 3M shall pay, perform and discharge in due course any and all Retained Liabilities.

ARTICLE IV

THE DISTRIBUTION

Section 4.1 The Distribution. On or prior to the Distribution Date, 3M shall deliver to the Agent the certificate for 100 shares of Imation Common Stock which were owned by 3M prior to the Distribution. Upon receipt from 3M of a certificate as to the number of shares of 3M Common Stock outstanding on the Record Date, Imation shall deliver to the Agent, for the benefit of holders of record of 3M Common Stock on the Record Date, a stock certificate representing, in the aggregate (and rounded down to the nearest whole share), a number of shares representing one share of Imation Common Stock for every 10 shares of 3M Common Stock outstanding on the Record Date (less the 100 shares of Imation Common Stock owned prior to the Distribution by 3M), and shall instruct the Agent to distribute as promptly as practicable following the Distribution Date to holders of record of 3M Common Stock on the Record Date one share of Imation Common Stock for every 10 shares of 3M Common Stock and cash in lieu of fractional shares of Imation Common Stock obtained in the manner provided in Section 4.2 hereof. Imation agrees to provide to the Agent sufficient certificates in such denominations as the Agent may request in order to effect the Distribution. All of the shares of Imation Common Stock issued in the Distribution shall be fully paid, nonassessable and free of preemptive rights.

Section 4.2 Fractional Shares. No certificate or scrip representing fractional shares of Imation Common Stock shall be issued as part of the Distribution and in lieu of receiving fractional shares, each holder of 3M Common Stock who would otherwise be entitled to receive a fractional share of Imation Common Stock pursuant to the Distribution will receive cash for such fractional share. 3M and Imation agree that 3M shall instruct the Agent to determine the number of whole shares and fractional shares of Imation Common Stock allocable to each holder of record of 3M Common Stock as of the Record Date, to aggregate all such fractional shares into whole shares and sell the whole shares obtained thereby in the open market at then prevailing prices on behalf of holders who otherwise would be entitled to receive fractional share interests and to distribute to each such holder such holder's ratable share of the total proceeds of such sales (net of any commissions incurred in connection with such sales), net of any amount required to be withheld under applicable law.

Section 4.3 3M Board Action.

(a) This Agreement and the Related Agreement have been approved by the Board of Directors of 3M, subject to the declaration of the Distribution by the Board of Directors of 3M, and the consummation of the transactions provided for herein or therein shall only be effected after the Distribution has been declared by the Board of Directors of 3M.

(b) The Board of Directors of 3M, in its discretion, shall establish the Record Date and the Distribution Date and all appropriate procedures in connection with the Distribution.

ARTICLE V

INDEMNIFICATION, CLAIMS AND OTHER MATTERS

Section 5.1 Indemnification.

(a) 3M shall indemnify, defend and hold harmless Imation and each of its directors, officers, employees, agents and Affiliates from and against any and all Indemnifiable Losses of Imation or any of its Affiliates arising out of or due to, directly or indirectly, (i) any Third Party Claims (as defined in Section 5.2) in connection with any of the Retained Liabilities, (ii) Third Party Claims that the information included in the Information Statement or the Form 10 under the captions set forth on Schedule 5.1(a) hereto is false or misleading with respect to any material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (iii) Third Party Claims that 3M or its Affiliates failed to perform, or violated, any provision of this Agreement which is to be performed or complied with by 3M or its Affiliates, (iv) breaches of this Agreement by 3M or its Affiliates or (v) any guarantees which may be granted, either before or after the Distribution Date, by Imation or one of its Affiliates on behalf of 3M or one of its Affiliates.

(b) Imation shall indemnify, defend and hold harmless 3M and each of its directors, officers, employees, agents and Affiliates from and against any and all Indemnifiable Losses of 3M or any of its Affiliates arising out of or due to, directly or indirectly, (i) Third Party Claims in connection with any of the Assumed Liabilities, (ii) Third Party Claims that the information included in the Information Statement or the Form 10, other than under the captions set forth on Schedule 5.1(a) hereto, or the information provided, or statements made, in connection with the investor roadshow held in connection with the Distribution, is false or misleading with respect to any material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (iii) Third Party Claims that Imation or its Affiliates failed to perform, or violated, any provision of this Agreement which is to be performed or complied with by Imation or its Affiliates or (iv) breaches of this Agreement by Imation or its Affiliates or (v) any guarantees which may be granted, either before or after the Distribution Date, by 3M or one of its Affiliates on behalf of Imation or one of its Affiliates, including without limitation with respect to any third party leases assumed or undertaken by Imation or any of its Affiliates in Australia or otherwise.

(c) Amounts required to be paid pursuant to this Article V are

hereafter sometimes collectively called "Indemnity Payments" and are individually called an "Indemnity Payment." The amount which any party (an "Indemnifying Party") is required to pay to any other party (an "Indemnified Party") pursuant to Section 5.1(a) or Section 5.1(b) shall be reduced (including, without limitation, retroactively) by any insurance proceeds and other amounts actually recovered by such Indemnified Party in reduction of the related Indemnifiable Loss. If an Indemnified Party shall have received an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently actually receive insurance proceeds or other amounts (such as settlement amounts) in respect of such Indemnifiable Loss, then such Indemnified Party shall immediately pay to such Indemnifying Party a sum equal to the lesser of the amount of such insurance proceeds or other amounts actually received or the net amount of Indemnity Payments actually received previously. The foregoing notwithstanding, nothing in this Section 5.1(c) shall grant to Imation or its Affiliates any direct or indirect rights or benefits to insurance coverage with respect to which Imation is not otherwise entitled under Article IX hereof nor require 3M or its Affiliates to make any claim for insurance coverage unless and to the extent that Imation would otherwise be entitled to have 3M make a claim under Article IX hereof.

(d) (i) For purposes of this Section 5.1(d), an Indemnified Party shall be deemed to have received a tax saving with respect to an Indemnifiable Loss if, upon the filing of a Federal or foreign income tax return for a taxable year ending on or after the Distribution Date (the "Indemnity Return"), an amount attributable to an Indemnifiable Loss (the "Indemnifiable Loss Deduction") is deductible by the Indemnified Party or any of its wholly owned subsidiaries and an amount attributable to the Indemnity Payment is not includable in gross income by the Indemnified Party or any of its wholly owned subsidiaries. The foregoing notwithstanding, if the Indemnifying Party may deduct the amount attributable to the Indemnity Payment, the Indemnified Party shall be deemed to have not received a tax saving with respect to an Indemnifiable Loss.

(ii) In the event that an Indemnified Party is deemed to have received a tax saving by reason of an Indemnifiable Loss, such Indemnified Party shall pay the Indemnifying Party within thirty (30) days after the filing of an Indemnity Return by an Indemnified Party which results in a reduction in the tax liability of the Indemnified Party that is attributable to such Indemnifiable Loss, a sum equal to the Indemnifiable Loss Deduction multiplied by an amount equal to $A + ((1 - A) \times .06)$, where A equals the highest marginal corporate Federal income tax rate applicable to corporations taxable under Subchapter C of the Code on the date the Indemnity Return is filed (the "Tax Saving Amount").

(iii) In the event that any such Indemnifiable Loss is deductible outside the United States, the provisions of Section 5.1(d)(ii) shall be appropriately adjusted to reflect the tax structure of the appropriate foreign jurisdiction.

(iv) Any payment made pursuant to this Section 5.1(d) shall be treated as a reduction of the Indemnity Payment to which it relates.

(e) 3M'S AND IMATION'S RESPECTIVE OBLIGATIONS PURSUANT TO SECTION 5.1(A)(IV) AND (B)(IV) SHALL BE LIMITED TO DIRECT AND ACTUAL DAMAGES, TO THE EXCLUSION OF INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES. PARAGRAPH 5.1(E) SHALL NOT APPLY TO (I) ANY FAILURE BY IMATION OR ITS AFFILIATES TO ASSUME, PAY, PERFORM AND DISCHARGE (OR CAUSE THE APPROPRIATE AFFILIATE OF IMATION TO ASSUME, PAY, PERFORM AND DISCHARGE) ANY AND ALL ASSUMED LIABILITIES, OR (II) ANY FAILURE BY 3M OR ITS AFFILIATES TO ASSUME, PAY, PERFORM AND DISCHARGE (OR CAUSE THE APPROPRIATE AFFILIATE OF 3M TO ASSUME, PAY, PERFORM AND DISCHARGE) ANY AND ALL RETAINED LIABILITIES, OR (III) EXCEPT AS PROVIDED IN SECTION 6.18, ANY BREACH BY 3M OR IMATION OF THEIR RESPECTIVE INDEMNITY OBLIGATIONS UNDER THIS AGREEMENT, INCLUDING THE INDEMNITY OBLIGATIONS SET FORTH IN ARTICLE V.

(f) Indemnification obligations contained elsewhere in this Agreement shall be subject to the provisions of this Article V.

Section 5.2 Procedure for Indemnification.

(a) If either party shall receive notice of any claim or Action brought, asserted, commenced or pursued by any person or entity not a party to this Agreement (hereinafter a "Third Party Claim"), with respect to which the other Party is or may be obligated to make an Indemnity Payment, it shall give such other Party prompt notice thereof (including any pleadings relating thereto) after becoming aware of such Third Party Claim, specifying in

such reasonable detail as is known to it, the nature of such Third Party Claim and the amount or estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim); provided, however, that the failure of a Party to give notice as provided in this Section 5.2 shall not relieve the other Party of its indemnification obligations under this Article V, except to the extent that such other Party is actually prejudiced by such failure to give notice.

(b) For any Third Party Claim concerning which notice is required to be given, and, in fact, given, under subparagraph (a) of this Section 5.2, the Indemnifying Party shall defend in a timely manner, to the extent permitted by law, such Third Party Claim through counsel appointed by the Indemnifying Party and reasonably acceptable to the Indemnified Party. Once an Indemnifying Party has commenced its defense of an Indemnified Party, it cannot withdraw from such defense until conclusion of the matter, unless the Indemnified Party agrees to the withdrawal or the Indemnified Party is also defending the claim. The Indemnified Party shall have the right to participate in the defense of the Third Party Claim by employing separate counsel at its own expense, provided that the parties enter into a Joint Defense Agreement or Joint Representation and Defense Agreement, substantially in the form of Exhibit D or E to this Agreement, as appropriate.

(c) If a party responds to a notice of a Third Party Claim by denying its obligation to indemnify the person or entity claiming a right of defense and indemnification under this Agreement ("Indemnification Claimant"), or if the Indemnifying Party fails to defend in a timely manner, the Indemnified Party shall be entitled to defend such Third Party Claim through counsel appointed by it. In addition, if it is later determined, through procedures referenced in Article X of this Agreement, or agreement of the parties, that said party wrongfully denied such claim, or the Indemnifying Party failed to timely defend, then the Indemnifying Party shall (1) reimburse the Indemnified Party for all costs and expenses (other than salaries of officers and employees) incurred reasonably by the Indemnified Party in connection with its defense of such Third Party Claim and (2) be estopped from challenging a judgment, order, settlement, compromise, or consent judgment resolving the Third Party Claim entered into in good faith by the Indemnified Party (if such claim has been resolved prior to the conclusion of the proceeding between the Indemnified Party and Indemnifying Party). An Indemnifying Party, after initially rejecting a claim for defense or indemnification by an Indemnification Claimant, may defend and indemnify the Indemnification Claimant, at any time prior to the resolution of said Third Party Claim, for such claim, provided that (x) the Indemnifying Party reimburses the Indemnified Party for all costs and expenses (other than salaries of officers and employees) incurred reasonably by the Indemnified Party in connection with its defense of such Third Party Claim up to the time the Indemnifying Party assumes control of the defense of such claim (including costs incurred in the transition of the defense from the Indemnified Party to the Indemnifying Party) and (y) the assumption of the defense of the Third Party Claim will not prejudice or cause harm to the Indemnified Party.

(d) With respect to any Third Party Claim relating to any matter subject to a claim for indemnification hereunder, no party shall enter into any compromise or settlement or consent to the entry of any judgment which (i) does not include as a term thereof the giving by the third party of a release to the Indemnified Party from all further liability concerning such Third Party Claim on terms no less favorable than those obtained by the party entering into such compromise, settlement or consent or (ii) imposes any obligation on the Indemnified Party without said Indemnified Party's written consent (such consent not to be unreasonably withheld), except an obligation to pay money which the Indemnifying Party has agreed to pay on behalf of the Indemnified Party. In the event that an Indemnified Party enters into any such compromise, settlement or consent without the written consent of the Indemnifying Party (other than as contemplated by Section 5.2(c)), the entry of such compromise, settlement or consent shall relieve the Indemnifying Party of its indemnification obligation related to the claims underlying such compromise, settlement or consent.

(e) Upon final judgment, determination, settlement or compromise of any Third Party Claim, and unless otherwise agreed by the parties in writing, the Indemnifying Party shall pay promptly on behalf of the Indemnified Party, or to the Indemnified Party in reimbursement of any amount theretofore required to be paid by it, the amount so determined by final judgment, determination, settlement or compromise. Upon the payment in full by the Indemnifying Party of such amount, the Indemnifying Party shall succeed to the rights of such Indemnified Party to the extent not waived in settlement, against the third party who made such Third Party Claim and any other person who

may have been liable to the Indemnified Party with respect to the indemnified matter.

(f) In connection with defending against Third Party Claims, the parties shall cooperate with and assist each other by making available all employees, books, records, communications, documents, items and matters within their knowledge, possession or control that are necessary, appropriate or reasonably deemed relevant with respect to defense of such claims; provided, however, that nothing in this subparagraph (f) shall be deemed to require the waiver of any privilege, including the attorney-client privilege, or protection afforded by the attorney work product doctrine. In addition, regardless of the party actually defending a Third Party Claim for which there is an indemnity obligation under Section 5.1 of this Agreement, the parties shall give each other regular status reports relating to such action with detail sufficient to permit the other party to assert and protect its rights and obligations under this Agreement.

(g) The provisions of this Section 5.2 shall survive in perpetuity and shall be the exclusive procedures for any claims subject to the provisions of Section 5.1(a) or (b) hereof.

Section 5.3 Other Claims by Indemnified Parties Against Indemnifying Parties. Any claim on account of an Indemnifiable Loss which does not result from a Third Party Claim shall be asserted by written notice from the Indemnified Party to the Indemnifying Party within sixty (60) days of first learning of the breach under Section 5.1(a) (iv) or 5.1(b) (iv). All such claims that are not timely asserted pursuant to this Section shall be deemed to be forever waived. The Indemnified Party's written notice shall contain such information as the Indemnified Party has regarding the alleged breach. Such Indemnifying Party shall have a period of sixty (60) days (or such shorter time period as may be required by law as indicated by the Indemnified Party in the written notice) within which to respond thereto. If such Indemnifying Party does not respond within such 60-day (or lesser period) such Indemnifying Party shall be deemed to have accepted responsibility to make payment for the amount of the Indemnifiable Loss and shall have no further right to contest the validity of such claim. If such Indemnifying Party does respond within such 60-day (or lesser) period and rejects such claim in whole or in part, such Indemnified Party shall be free to pursue resolution as provided in Article X hereof.

Section 5.4 Indemnifiable Losses under Sections 5.1(a) (ii) and 5.1(b) (ii). If the indemnification provided for in this Article V is unavailable to an Indemnified Party in respect of any Indemnifiable Loss arising out of or related to information contained in the Information Statement the Form 10 or the roadshow, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Indemnifiable Loss, in such proportion as is appropriate to reflect the relative fault of Imation, each of its directors, each of its officers who has signed any registration statement and each Affiliate of Imation (an "Imation Party") on the one hand and 3M and each Affiliate of 3M (a "3M Party") on the other hand in connection with the statements or omissions which resulted in such Indemnifiable Loss. The relative fault of an Imation Party on the one hand and of a 3M Party on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by an Imation Party on the one hand or a 3M Party on the other hand.

Section 5.5 No Beneficiaries. Except to the extent expressly provided otherwise in this Article V, the indemnification provided for by this Article V shall not inure to the benefit of any third party or parties and shall not relieve any insurer who would otherwise be obligated to pay any claim of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, provide any subrogation rights with respect thereto and each party agrees to waive such rights against the other to the fullest extent permitted.

Section 5.6 Special Provision Relating to Nishika Case. 3M agrees to accept as Retained Liabilities the obligations relating to or arising from the lawsuit entitled Minnesota Mining and Manufacturing Company v. Nishika, Ltd., et al. (Supreme Court of Texas; Case No. 94-1124). In return, Imation agrees that in the event the case is retried, it will use its best efforts to make available on a priority basis, and for as long as is needed by 3M, any Imation employee witnesses requested by 3M. In such connection, it is anticipated that 3M will need, and Imation agrees to use its best efforts to make available, Roger Lorenzini, for as long as he is an Imation employee or

under contract to provide any service to Imation, for extended periods prior to any retrial in connection with this case and, if requested by 3M, for the entire duration of any retrial. 3M shall reimburse Imation's out-of-pocket expenses, but not salaries, in connection with any such employee witnesses.

Notwithstanding any other provisions of this Agreement, in the event Imation fails to use its best efforts to provide such witnesses, and if such failure has a material adverse impact on the outcome of the retrial, then all Liabilities and obligations relating to such case will be deemed to be Assumed Liabilities under this Agreement and Imation shall indemnify, defend and hold harmless 3M from and against all Indemnifiable Losses arising out of or due to, directly or indirectly, such case, whether incurred prior to the Distribution Date or incurred on or after the Distribution Date. For purposes of this Section 5.6, Imation shall be deemed to have satisfied its best efforts obligations to the extent, but only to the extent, that it exercises a degree of care and effort which is no less diligent than that which Imation would be expected to exercise had it retained responsibility for the foregoing lawsuit.

Section 5.7 Named Parties. The parties hereto acknowledge that it may not be feasible to substitute Imation (or one of its Affiliates) for 3M (or one of its Affiliates) as a named party in Actions, whether domestic or foreign, constituting Assumed Liabilities. In such event, 3M (or one of its Affiliates) shall remain as a named party, but, following the Distribution Date, Imation (or one of its Affiliates) shall assume the defense of any such Action in accordance with the provisions of Section 5.2 hereof and 3M and its Affiliates shall cooperate with Imation as contemplated by such Section 5.2 and Article VII hereof.

ARTICLE VI

CERTAIN ADDITIONAL MATTERS

Section 6.1 Conveyancing and Assumption Instruments. In connection with the transfer, conveyance, assignment and delivery of the Transferred Assets and the assumption of Assumed Liabilities contemplated by this Agreement, 3M and Imation agree to execute or cause to be executed by the appropriate parties and to deliver to each other, as appropriate, the Conveyancing and Assumption Instruments.

Section 6.2 No Representations or Warranties; Exceptions. Except as provided in Section 2.1 hereof, Imation understands and agrees that 3M is not in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting in any way (a) as to the value or freedom from encumbrance of, or any other matter concerning, any Transferred Assets or (b) as to the legal sufficiency to convey title to any Transferred Assets of the execution, delivery and filing of the Conveyancing Instruments, IT BEING AGREED AND UNDERSTOOD THAT ALL SUCH ASSETS AND THE ASSUMED LIABILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS" and without any representation or warranty of any kind (express or implied) and that Imation shall bear the economic and legal risk that any conveyances of such assets shall prove to be insufficient or that Imation's title to any such assets shall be other than good and marketable and free from encumbrances. Similarly, Imation understands and agrees that 3M is not in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting in any way that the obtaining of the consents or approvals, the execution and delivery of any amendatory agreements and the making of the filings and applications contemplated by this Agreement shall satisfy the provisions of all applicable agreements or the requirements of all applicable laws or judgments, it being understood and agreed that, subject to Section 6.3 hereof, Imation shall bear the economic and legal risk that any necessary consents or approvals are not obtained or that any requirements of law or judgments are not complied with. The foregoing, however, shall not limit any responsibilities which 3M may have to use its commercially reasonable efforts to effect transfers under the other provisions of this Agreement.

Section 6.3 Further Assurances; Subsequent Transfers.

(a) Each of 3M and Imation will execute and deliver such further instruments of conveyance, transfer and assignment and will take such other actions as each of them may reasonably request of the other in order to effectuate the purposes of this Agreement and to carry out the terms hereof. Without limiting the generality of the foregoing, at any time and from time to time after the Distribution Date, at the request of Imation and without further consideration, 3M will execute and deliver to Imation such other instruments of transfer, conveyance, assignment and confirmation and take such action as Imation may reasonably deem necessary or desirable in order to more effectively

transfer, convey and assign to Imation and to confirm Imation's title to all of the Transferred Assets, to put Imation in actual possession and operating control thereof and to permit Imation to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained) and Imation will execute and deliver to 3M all instruments, undertakings or other documents and take such other action as 3M may reasonably deem necessary or desirable in order to have Imation fully assume and discharge the Assumed Liabilities and relieve 3M of any Liability or obligations with respect thereto and evidence the same to third parties. Notwithstanding the foregoing, 3M and Imation shall not be obligated, in connection with the foregoing, to expend monies other than reasonable out-of-pocket expenses and attorneys' fees.

(b) 3M and Imation will use their commercially reasonable efforts to obtain any consent, approval or amendment required to novate and/or assign all agreements, leases, licenses and other rights of any nature whatsoever relating to the Transferred Assets to Imation or Affiliates of Imation; provided, however, that 3M and its Affiliates shall not be obligated to pay any consideration therefor (except for filing fees and other administrative charges and except as otherwise specifically provided herein) to the third party from whom such consents, approvals and amendments are requested. In the event and to the extent that 3M is unable to obtain any such required consent, approval or amendment (i) 3M shall continue to be bound thereby and (ii) unless not permitted by law or the terms thereof, Imation shall pay, perform and discharge fully all the obligations of 3M thereunder from and after the Distribution Date and indemnify 3M for all Indemnifiable Losses arising out of such performance by Imation or any claims by third parties thereunder. 3M shall, without further consideration therefor, pay and remit to Imation promptly all monies, rights and other considerations received in respect of such performance. 3M shall exercise or exploit its rights and options under all such agreements, leases, licenses and other rights and commitments referred to in this Section 6.3(b) only as reasonably directed by Imation and at Imation's expense. If and when any such consent shall be obtained or such agreement, lease, license or other right shall otherwise become assignable or able to be novated, 3M shall promptly assign and novate all its rights and obligations thereunder to Imation without payment of further consideration and Imation shall, without the payment of any further consideration therefor, assume such rights and obligations. To the extent that the assignment of any contract or agreement (or their proceeds) pursuant to this Section 6.3 is prohibited by law, the assignment provisions of this Section shall operate to create a subcontract with Imation to perform each relevant unassignable 3M contract or agreement at a subcontract price equal to the monies, rights and other considerations received by 3M with respect to the performance by Imation under such subcontract.

(c) All Bids, Quotations and Proposals included in the Transferred Assets shall be transferred to Imation or Imation Enterprises to the extent permitted by law. 3M and Imation shall work together and use their best efforts to preserve such Bids, Quotations and Proposals and facilitate the award of contracts pursuant thereto consistent with applicable laws and regulations. Any contracts awarded pursuant to an outstanding Bid, Quotation or Proposal shall be considered an agreement and treated in the same manner as provided for in the last two sentences of Section 6.3(b) hereof.

(d) 3M and Imation acknowledge that the following governmental programs shall remain with 3M through their respective terms: the Advanced Tape Systems Program, the Optical Storage Program, the National Media Lab Program and the Factory Support Program. With respect to the Advanced Tape Systems Program and the Optical Storage Program, 3M shall use its commercially reasonable efforts to have Imation added as another consortium member. With respect to the other programs and subject to the receipt of any required governmental approvals, 3M and Imation shall enter into a subcontracting agreement (as contemplated by subsection (b) above) to the extent necessary to allow Imation to perform any services required to be performed by it and to enable Imation to receive any benefits of the particular program relating to those services. 3M and Imation further acknowledge that the Mapping Contract shall remain with 3M, which shall have the sole responsibility of performing thereunder.

(e) With respect to any governmental commercial supply contracts relating to the Transferred Businesses, 3M and Imation shall use their respective commercially reasonable efforts to execute one or more novation agreements with the appropriate governmental authority so as to effectively substitute Imation for 3M under all such contracts.

(f) From and after the Distribution Date, 3M shall have no

responsibility to take any action with respect to any UCC filings made prior to the Distribution Date relating to equipment sold by, or on behalf of, the Transferred Businesses, including, without limitation, any action which may be necessary to renew any such filings. The foregoing notwithstanding, at the request of Imation, 3M shall assist Imation in effecting the transfer of any such filings into the name of Imation.

(g) All references in this Section 6.3 to Imation shall include Imation Enterprises as and to the extent appropriate.

Section 6.4 Imation Officers and Directors. Imation and 3M shall take all actions which may be required to elect or otherwise appoint, as of the Distribution Date, those individuals designated in the Information Statement to be directors or officers of Imation.

Section 6.5 Resignations. On or prior to the Distribution Date, 3M shall cause all directors and officers of 3M who are not designated in the Information Statement to be directors and officers of Imation following the Distribution Date to resign from their positions as directors or officers of Imation.

Section 6.6 Certain Intercompany Arrangements.

(a) Following the Distribution Date, the parties shall discuss in good faith the provision of any services and products to be provided by the other, but which inadvertently were not the subject of a written agreement. Nothing in this Section 6.6, however, shall require or authorize 3M or Imation to provide and charge each other for any services other than on the terms and conditions specified in the Corporate Services Transition Agreement or the other Related Agreements.

(b) In connection with the Distribution, 3M and Imation shall effect the transfer of intercompany receivables and payables relating to products of the Transferred Businesses which are in-transit as of the Distribution Date to achieve an appropriate matching of such receivables and payables (i.e., both the receivables and payables relating to a product in-transit shall be held by one party and its Affiliate following the Distribution).

Section 6.7 Related Agreements. As of the Distribution Date, 3M and Imation shall enter, and shall cause Imation Enterprises and their respective Affiliates to enter (if applicable), into the Related Agreements.

Section 6.8 Sales and Transfer Taxes. Imation and 3M agree to cooperate to determine the amount of sales, transfer or other taxes or fees (including, without limitation, all real estate, patent, copyright and trademark transfer taxes and recording fees) payable in connection with the transactions contemplated by this Agreement (the "Transaction Taxes"). 3M agrees to file promptly and timely the returns for such Transaction Taxes with the appropriate taxing authorities and remit payment of the Transaction Taxes and Imation will join in the execution of any such tax returns or other documentation. Payment of all such Transaction Taxes shall be the responsibility of 3M, except as otherwise provided in Section 11.2 hereof, the foreign transfer agreements or the Tax Sharing Agreement. The foregoing notwithstanding, Imation shall be responsible for sales taxes payable upon the transfer of motor vehicles and for mortgage recording taxes which by statute are the primary responsibility of Imation.

Section 6.9 Signs; Use of 3M Name. Within 90 days after the Distribution Date, Imation, at its own expense, shall remove (or, if necessary, cover up) any and all exterior and interior signs and identifiers which refer or pertain to 3M at the Transferred Businesses. After such 90-day period, Imation shall not use or display the name "3M" or other trademarks, trade names or their identifiers owned by or licensed to 3M except to the extent such marks, names and identifiers have been assigned or licensed to Imation or Imation Enterprises pursuant to the Intellectual Property Agreement ("NonPermitted Names"), without the prior written consent of 3M.

Section 6.10 Supplies and Documents. For a period of time following the Distribution Date (as contemplated in the Intellectual Property Agreement), Imation shall have the right to use existing supplies and documents (including, but not limited to forms, labels, shipping materials, packaging materials, catalogues, sales brochures, operating manuals, instructional documents and similar materials, and advertising material) being transferred to it pursuant to this Agreement which have imprinted thereon the name "3M" or

trademarks, logos or variations comprising the name "3M" as and to the extent contemplated by the Intellectual Property Agreement. At the end of such time period, Imation shall destroy all such remaining supplies and documents. In addition, Imation will cause the name of any of its subsidiaries or Affiliates containing the phrase "3M" to be changed to delete any such reference.

Section 6.11 Plant Closings and Layoffs. Imation agrees that it shall not, at any time during the 90-day period following the Distribution Date, effectuate (i) a "plant closing" as defined in the Worker Adjustment and Retraining Notification Act of 1988 (the "WARN Act") affecting any site of employment or operating units within any site of employment of the Transferred Businesses or (ii) take any action to precipitate a "mass layoff" as defined in the WARN Act affecting any site of employment of the Transferred Businesses, except, in either case, after complying fully with the notice and other requirements of the WARN Act. Imation agrees to indemnify 3M and to defend and hold 3M harmless from and against any and all claims, losses, damages, expenses, obligations and liabilities (including attorney's fees and other costs of defense) which 3M may incur in connection with any suit or claim of violation brought against 3M under the WARN Act, which relate, in whole or in part, to actions taken by Imation with regard to any site of employment of Imation or operating units within any site of employment of the Transferred Businesses.

Section 6.12 Shared Facility Arrangements.

(a) 3M and Imation agree that, subsequent to the Distribution Date, the facilities located in Menomonie, Wisconsin and at 3M Center (the "3M Shared Facility") shall be owned by 3M, but shared by the parties for the concurrent operations of certain of the Core Businesses and Transferred Businesses in accordance with the terms set forth in this Section 6.12. 3M and Imation further agree that subsequent to the Distribution Date, the facilities located in Middleway, West Virginia, Vadnais Heights, Minnesota, Camarillo, California and Pine City, Minnesota (the "Imation Shared Facilities") shall be owned by Imation (or Imation Enterprises) or leased by Imation (or Imation Enterprises) from third parties (as the case may be), but shared by the parties for the concurrent operations of certain of the Core Businesses and Transferred Businesses in accordance with the terms set forth in this Section 6.12. (All such arrangements are collectively referred to as the "Shared Facility Arrangements" and are more fully described on Schedule 6.12(a)).

(b) During the applicable Shared Facility Term, the parties agree that Imation shall lease from 3M a portion of the 3M Shared Facility for the purpose of conducting operations relating to the Transferred Businesses to the extent and in a manner substantially consistent with the operations conducted at such facilities in connection with the Transferred Businesses immediately prior to the Distribution Date. In furtherance thereof, 3M and Imation shall, on or prior to the Distribution Date, enter into a Shared Facility Agreement, with respect to each such facility, which shall set forth (i) the portion of the building to be made available and the services to be provided by 3M to Imation at each of the 3M Shared Facilities, (ii) the payments to be paid by Imation to 3M in consideration therefor and (iii) such further arrangements as the parties deem appropriate with respect to the 3M Shared Facilities. In addition, Affiliates of Imation shall continue following the Distribution Date to lease from Affiliates of 3M (x) a portion of 3M's facility at Breda, Netherlands pursuant to the lease which is in effect on the Distribution Date and (y) a portion of 3M's facility in London, Ontario, Canada pursuant to the terms of the Transition Agreement being entered into between 3M Canada, Inc. and Imation Canada, Inc.

(c) During the applicable Shared Facility Term, the parties agree that 3M shall lease (or sublease, as the case may be) from Imation a portion of each of the Imation Shared Facilities for the purpose of conducting operations relating to the Core Businesses to the extent and in a manner substantially consistent with the operations conducted at such facilities in connection with the Core Businesses immediately prior to the Distribution Date. In furtherance thereof, 3M and Imation shall, on or prior to the Distribution Date, enter into a Shared Facility Agreement with respect to each such facility, which shall set forth (i) the portion of the building to be made available and services to be provided by Imation to 3M at each of the Imation Shared Facilities, (ii) the payments to be made by 3M to Imation in consideration therefor and (iii) such further arrangements as the parties deem appropriate with respect to the Imation Shared Facilities.

(d) Upon the termination by either party of any of the Shared Facility Arrangements with respect to a particular facility in accordance with the respective Shared Facility Agreement, Imation or 3M, as the case may be,

shall promptly remove all of its personnel, equipment, materials and other property from such facility.

Section 6.13 Leased Employees. Following the Distribution Date, Imation shall lease from 3M the Leased Employees in accordance with the terms of the Leased Employee Agreement.

Section 6.14 Other Leased/Shared Properties.

(a) In connection with the Distribution, 3M shall assign to Imation or Imation Enterprises (as the case may be), and Imation or Imation Enterprises (as the case may be) shall accept responsibility for the third party leases relating to real property and/or the facilities set forth on Schedule 6.14(a).

(b) In connection with the Distribution, Imation or Imation Enterprises (as the case may be) shall assume responsibility with respect to certain lease agreements relating to the Transferred Businesses, including those which are set forth on Schedule 6.14(b), pursuant to which 3M presently leases a portion of its facilities to unaffiliated third parties.

(c) 3M shall retain all distribution centers. Any distribution center services to be provided by 3M to Imation shall be provided pursuant to the terms of the Corporate Services Agreement.

Section 6.15 Domestic Receivables and Payables.

(a) Following the Distribution Date and through December 31, 1996 (or such earlier date as 3M and Imation shall mutually agree), 3M, on behalf of Imation and Imation Enterprises, shall collect all domestic trade receivables of the Transferred Businesses outstanding as of the Distribution Date which constitute shared accounts (i.e., a portion of such receivables relate to each of the Core Businesses and the Transferred Businesses, respectively) and pay all domestic payables of the Transferred Businesses outstanding as of such date (irrespective of whether such payables constitute shared payables or are payables solely for the account of the Transferred Businesses). 3M will diligently pursue the collection of such receivables and the payment of payables, with the same degree of care and effort as 3M performs such services with respect to its own receivables and payables; it being understood, however, that subject to the provisions of this sentence, any risk of non-collection of Imation's portion of the shared receivables shall remain with Imation. Pending a final reconciliation, 3M will remit to Imation, per a mutually agreed schedule which is set forth on Schedule 6.15(a), an estimate of the amount, if any, by which collections with respect to shared and non-shared (net of the items specified on Schedule 6.15(a)) are expected to exceed payments, and Imation will remit to 3M the amount, if any, by which payments are expected to exceed collections (net of the items specified on Schedule 6.15(a)). The remittances schedule shall be reviewed on a monthly basis by 3M and Imation and shall be adjusted in good faith by mutual agreement of the parties to the extent necessary to reflect more accurately the actual schedule of collections and payments. If 3M receives a payment with respect to a receivable of which a portion relates to the Transferred Businesses and a portion relates to the Core Businesses, 3M shall allocate the payments as directed by the customer and, in the absence of any such direction, in a manner corresponding to the relative amounts of the specific invoices in question outstanding with respect to the Transferred Businesses and the Core Businesses.

(b) Promptly following December 31, 1996 (or such earlier date as 3M and Imation shall mutually agree upon), 3M shall prepare a final reconciliation of cash collected from domestic trade receivables (net of the items specified on Schedule 6.15(a)) and cash paid for all domestic payables, in either instance relating to the Transferred Businesses and outstanding on the Distribution Date. Upon completion of the final reconciliation, 3M shall remit to Imation, or Imation shall remit to 3M, as the case may be, any funds required so that the total amount of funds remitted by 3M to Imation (net of any funds remitted by Imation to 3M) pursuant to Sections 6.15(a) and (b) shall equal the actual amount by which collections (net of the items set forth on Schedule 6.15(a)) exceed payments.

(c) The foregoing notwithstanding, commencing with the Distribution Date, Imation shall assume responsibility for the collection of all trade receivables of the Transferred Businesses which are not "shared" accounts, and be entitled to any amounts so collected; although the funds relating to pre-Distribution Date receivables may be deposited in 3M lock boxes and remitted to Imation in accordance with Schedule 6.15(a). The risk of non-collection of

the trade receivables referred to in the preceding sentence shall remain with Imation. In addition, after December 31, 1996 (or such earlier date as 3M and Imation shall mutually agree upon), Imation shall assume responsibility for the collection of all domestic trade receivables and the payment of all trade payables, in either instance relating to the Transferred Businesses; although 3M may continue to provide services with respect to trade payables in accordance with the terms of the Corporate Services Transition Agreement. Accordingly, should 3M or Imation inadvertently receive payment with respect to any trade receivables the collection of which is the responsibility of the other party, it will remit payment to the appropriate party of any amounts so received at the time of the final reconciliation or at such other time as the improper payment is identified.

Section 6.16 Diskette Anti-Dumping Duty Exemption. 3M is presently entitled to certain exemptions from anti-dumping duties which respect to the importation of diskettes into the European Union. 3M and Imation shall use their respective commercially reasonable efforts to have Imation substituted for 3M with respect to such exemption with an effective date of July 1, 1996 or as soon as possible thereafter. 3M and Imation agree to cooperate with each other in good faith to minimize any obligation to pay anti-dumping duties should the parties be unable to effect such substitution and/or have such substitution effective as of July 1, 1996, including to the extent permitted by applicable law by having 3M import on behalf of Imation (it being understood that Imation would reimburse 3M for all its costs and expenses so involved). In the event that Affiliates of 3M in Europe shall receive diskettes following the foregoing substitution of Imation, 3M and Imation shall cooperate with each other in good faith to minimize any obligation to pay anti-dumping duties with respect to such diskettes; it being understood, however, that Imation shall be responsible for any duties which may be payable and any other costs which may be incurred in handling such diskettes.

Section 6.17 Repayment of Italian Debt. In connection with the Distribution, Imation shall, or shall cause one of its Affiliates, to repay certain indebtedness which is presently outstanding and owing to 3M from its Affiliates in Italy and which is being assumed by an Affiliate of Imation pursuant to Section 2.3 hereof.

Section 6.18 GECC Financing Agreements. The respective rights and obligations of 3M and Imation under the Portfolio Purchase Agreement and the Operating Agreement entered into by 3M with GECC in December 1995 with respect to financing transactions entered into with customers to enable those customers to purchase equipment sold by the Transferred Businesses or used in connection with products of the Transferred Businesses are as set forth below:

(a) respective rights and obligations of 3M and Imation under the Portfolio Purchase Agreement and the Operating Agreement entered into by 3M with respect to the Imation Contracts and other obligations described therein shall be as follows:

(i) With respect to the Portfolio Purchase Agreement:

(1) So long as Imation is not in material default of its obligations pursuant to this Section 6.18 and to the extent 3M is entitled to certain rights with respect to Imation Contracts pursuant to the Portfolio Purchase Agreement, including without limitation, the right to receive notice in certain cases, the right to make cure payments on behalf of customers, and the right to remarket Property, Imation shall have all such rights from and after the Distribution Date and, subject to GECC's consent, shall have the right to exercise such rights directly to GECC;

(2) To the extent amounts are owed or become due to GECC resulting from the breach of a representation or warranty relating to Lease Contracts or the Property related thereto which are Imation Contracts pursuant to Section 3.4, 3.7, 3.8, 3.10 or 3.11 thereof, Imation shall pay those amounts to GECC;

(3) To the extent amounts are owed or become due to GECC pursuant to Article V thereof, Imation shall pay those amounts to GECC which result from Lease Contract Defaults that are related to Imation Contracts;

(4) To the extent any Recoveries or Remarketing Proceeds are owed or become due to GECC pursuant to Section 5.5 or Section 6.7 thereof, Imation shall pay those amounts to GECC which relate to any Property that is subject to Imation Contracts and if Imation pays any such

amounts to GECC then 3M shall direct that GECC transfer such Imation Contracts directly to Imation;

(5) To the extent that any Recoveries or Remarketing Proceeds have been paid to 3M pursuant to Section 5.5 or Section 6.7 thereof, 3M shall pay to Imation any portion of such amounts attributable to Imation Contracts (except to the extent 3M has previously paid to GECC any amounts with respect to such Imation Contracts);

(6) On the Distribution Date, 3M shall transfer to Imation all of its rights and interests in and to all Administered Accounts that relate to Imation Contracts; and, to the extent that any Recoveries or Remarketing Proceeds are paid to 3M with respect to any Administered Account, 3M shall promptly pay to Imation any portion of such amounts to Imation which result from those Administered Accounts relating to Imation Contracts and any amounts paid from GECC to 3M on each such Imation Contract will be promptly paid to Imation;

(7) To the extent amounts are owed or become due to GECC with respect to any Administered Account pursuant to Section 7.4 thereof, Imation shall pay those amounts to GECC which result from those Administered Accounts relating to Imation Contracts;

(8) To the extent amounts are owed or become due to GECC under any Service and Maintenance Contract pursuant to Article VIII thereof, Imation shall pay those amounts to GECC which result from those Service and Maintenance Contracts relating to Property that is subject to Imation Contracts and if Imation pays any such amounts to GECC then 3M shall direct GECC to transfer such Imation Contracts directly to Imation;

(9) To the extent amounts are owed or become due to GECC under any Dealer Enhancement pursuant to Article VIII thereof, Imation shall pay those amounts to GECC which result from those Dealer Enhancements relating to Imation Contracts and if Imation pays any such amounts to GECC then 3M shall direct GECC to transfer such Imation Contracts directly to Imation;

(10) To the extent that remarketing obligations are required to be performed pursuant to Section 8.3 thereof with respect to Imation Contracts, Imation shall perform such obligations;

(11) To the extent amounts are owed or become due to GECC under any Recourse Contract pursuant to Article VIII thereof, Imation shall pay those amounts to GECC which result from those Recourse Contracts relating to Imation Contracts and if Imation pays any such amounts to GECC then 3M shall direct GECC to transfer such Imation Contracts directly to Imation;

(12) To the extent any Damages are owed or become due to GECC pursuant to Section 9.2(a) (other than clause (iii) therein) or 9.2(b) thereof, Imation shall pay those amounts to GECC which are attributable to, or arise out of, Imation's actions or failure to act, or relate to Imation Contracts or the Property related thereto;

(13) 3M shall endeavor in good faith to enter into an amendment thereto with GECC which provides that, with respect to Imation Contracts, Imation shall be entitled to all rights of 3M pursuant to the Portfolio Purchase Agreement and, subject to GECC's consent, GECC shall thereafter fulfill its obligations relating to Imation Contracts directly to Imation and 3M shall, upon request, be entitled to receive copies of all such reports relating to Imation Contracts, and all notices, letters and other forms of communication provided by GECC to Imation pursuant to the Portfolio Purchase Agreement from time to time during the term of such Agreement; and

(14) On the Distribution Date, 3M shall transfer to Imation a non-cash accrual in the amount of sixty percent (60%) of the remaining balance in 3M's General Ledger Account 9030 Project DIVESTGECC as of the Distribution Date as a reserve against future liabilities relating to Imation Contracts. This is a transfer of the asset reserve account only and does not include any current or future transfer of cash from 3M to Imation.

(ii) With respect to the Operating Agreement:

(1) 3M shall transfer to Imation the right to receive all amounts to be received from GECC, if any, for funding Imation Contracts which have not been funded as of the Distribution Date;

(2) 3M and Imation shall use all reasonable efforts to enter into an assignment and assumption agreement with GECC pursuant to which 3M shall assign its rights and obligations under the Operating Agreement with respect to Imation Contracts to Imation. Imation shall assume such rights and obligations, and GECC shall consent to such assignment and assumption.

(3) In the event the parties do not enter into such an assignment and assumption agreement, the following provisions shall apply:

(A) To the extent amounts are owed or become due to GECC resulting from the breach of a representation, warranty or covenant in Section 12 thereof, Imation shall pay those amounts to GECC that relate to any such breach that is attributable to Imation Contracts or the Equipment related thereto and will perform the covenants shown in such Section 12 to the extent that such covenants relate to Imation Contracts or the Equipment related thereto;

(B) To the extent amounts are owed or become due to GECC pursuant to Section 15 thereof, Imation shall pay those amounts to GECC which result from Lease Contract Defaults that relate to Imation Contracts;

(C) To the extent any Recoveries or Remarketing Proceeds are owed or become due to GECC pursuant to Section 15(d) or Section 16(g) thereof, Imation shall pay those amounts to GECC which relate to Property that is subject to Imation Contracts;

(D) To the extent that any Recoveries or Remarketing Proceeds are paid to 3M pursuant to Section 15(d) or Section 16(g) thereof, 3M shall pay to Imation the portion of such amounts attributable to Imation Contracts;

(E) To the extent amounts are owed or become due to GECC under any Service Transaction pursuant to Section 17 thereof, Imation shall pay those amounts to GECC which result from those Service Transactions relating to any Property that is subject to Imation Contracts and if Imation pays any such amounts to GECC then 3M shall direct GECC to transfer such Imation Contracts directly to Imation;

(F) To the extent amounts are owed or become due to GECC under any Recourse Transactions pursuant to Section 17 thereof, Imation shall pay those amounts to GECC which result from those Recourse Transactions that are related to Imation Contracts and if Imation pays any such amounts to GECC then 3M shall direct GECC to transfer such Imation Contracts directly to Imation;

(G) To the extent amounts are owed or become due to GECC resulting from municipal contract terminations for non-appropriation pursuant to Section 18 thereof, Imation shall pay those amounts to GECC which are related to Imation Contracts;

(H) To the extent that obligations are required to be performed or amounts are owed or become due to GECC pursuant to Section 18 with respect to Imation Contracts, Imation shall perform such obligations or pay such amounts;

(I) To the extent any Damages are owed or become due to GECC pursuant to Section 22(a) thereof, Imation shall pay those amounts to GECC which are attributable to Imation, or arise out of, Imation's actions or failure to act, or relate to Imation Contracts or the Equipment related thereto;

(J) To the extent amounts are owed or become due to GECC

pursuant to Section 26 thereof and Imation has not generated Transaction volume in an amount at least equal to \$90,000,000 during the Term of the Program, then Imation shall pay to GECC \$10,000 for each \$1,000,000 of Transaction volume (or portion thereof) less than \$90,000,000 generated during such Term (but not more than \$900,000).

(b) For the purposes of this Section 6.18, all capitalized terms used herein shall have their respective meanings in the Portfolio Purchase Agreement or the Operating Agreement, as the context requires, except that the following terms shall have the following definitions:

3M Contracts: shall mean those Lease Contracts that are not Imation Contracts.

GECC: General Electric Capital Corporation, a corporation organized under the laws of the State of Connecticut.

Imation Contracts: shall mean those Lease Contracts that were originated by the Transferred Businesses in existence as of the Distribution Date.

Operating Agreement: shall mean that certain Operating Agreement by and between GECC and 3M dated as of December 6, 1995.

Portfolio Purchase Agreement: shall mean that certain Portfolio Purchase Agreement by and between GECC and 3M dated as of December 6, 1995.

All capitalized terms used in this Section 6.18 but not otherwise defined in this Section 6.18(a) shall have the meanings set forth in this Agreement.

(c) Imation shall, from and after the Distribution Date, indemnify and hold harmless 3M and each of its directors, officers, employees and agents from and against any and all liabilities owed to GECC arising out of or based upon or with respect to any (i) breach under this Section 6.18 or (ii) any failure to perform any covenant, agreement or undertaking on the part of Imation contained in this Section 6.18.

(d) 3M shall, from and after the Distribution Date, indemnify and hold harmless Imation and each of its directors, officers, employees and agents from and against any and all liabilities owed to GECC arising out of or based upon or with respect to any (i) breach under this Section 6.18; (ii) any failure to perform any covenant, agreement or undertaking on the part of 3M contained in this Section 6.18; or (iii) any breach or failure by 3M to perform any covenant, agreement or undertaking on the part of 3M contained in the Portfolio Purchase Agreement and the Operating Agreement other than as a result of any action or inaction by Imation.

(e) 3M'S AND IMATION'S RESPECTIVE OBLIGATIONS PURSUANT TO SECTION 6.18(C) AND (D) SHALL BE LIMITED TO DIRECT AND ACTUAL DAMAGES, TO THE EXCLUSION OF INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES.

Section 6.19 Letters of Credit. Imation shall use its commercially reasonable efforts to substitute Imation letters of credit for any 3M letters of credit outstanding on the Distribution Date with respect to obligations of the Transferred Businesses. In addition, Imation shall reimburse 3M for any costs incurred or funds advanced by 3M following the Distribution Date with respect to any such letters of credit.

Section 6.20 Industrial Revenue Bonds. 3M shall repay on or prior to the Distribution Date certain industrial revenue bonds presently outstanding with respect to the White City, Oregon facility. In connection with the Distribution, Imation shall assume responsibility for all other industrial revenue bonds presently outstanding with respect to the White City, Oregon facility.

ARTICLE VII

ACCESS TO INFORMATION AND SERVICES

Section 7.1 Provision of Corporate Records. As soon as practicable after the Distribution Date, 3M shall deliver to Imation all Books and Records. Such Books and Records shall be the property of Imation, but shall be retained and made available (upon reasonable notice during normal business hours) to 3M for review and duplication until the earlier of (i) notice from 3M that such records are no longer needed by 3M or (ii) the end of the customary

retention period under 3M's document retention policies as in effect at the Distribution Date. The foregoing notwithstanding, technical notebooks and other Books and Records subject to the Intellectual Property Agreement shall be governed by the terms of such agreement.

Section 7.2 Access to Information. From and after the Distribution Date, 3M and Imation shall afford to each other and to each other's authorized accountants, counsel and other designated representatives reasonable access and duplicating rights (with copying costs to be borne by the requesting party) during normal business hours to all Books and Records and documents, communications, items and matters (collectively, "Information") within each other's knowledge, possession or control relating to the Transferred Assets, the Transferred Businesses, the Assumed Liabilities, the Retained Liabilities and the Transferred Employees, insofar as such access is reasonably required by 3M or Imation, as the case may be (and shall use reasonable efforts to cause persons or firms possessing relevant Information to give similar access). Information may be requested under this Article VII for, without limitation, audit, accounting, claims, Actions and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations, but not for competitive purposes.

Section 7.3 Production of Witnesses and Individuals. From and after the Distribution Date, 3M and Imation shall use reasonable efforts to make available to each other, upon written request, its officers, directors, employees and agents for fact finding, consultation and interviews and as witnesses to the extent that any such person may reasonably be required in connection with any Actions in which the requesting party may from time to time be involved relating to the conduct of the Transferred Businesses or the Core Businesses (as the case may be) prior to the Distribution Date. Except as otherwise agreed between the parties or pursuant to a Joint Representation and Defense Agreement or Joint Defense Agreement, 3M and Imation agree to reimburse each other for reasonable out-of-pocket expenses (but not labor charges or salary payments) incurred by the other in connection with providing individuals and witnesses pursuant to this Section 7.3.

Section 7.4 Retention of Records. Except when a longer retention period is otherwise required by law or agreed to in writing, 3M and Imation shall retain, for their retention periods customary under existing 3M policies, all material Information relating to the Transferred Businesses. Notwithstanding the foregoing, in lieu of retaining any specific Information, 3M or Imation may offer in writing to deliver such Information to the other and, if such offer is not accepted within 90 days, the offered Information may be destroyed or otherwise disposed of at any time. If a recipient of such offer shall request in writing prior to the scheduled date for such destruction or disposal that any of the Information proposed to be destroyed or disposed of be delivered to such requesting party, the party proposing the destruction or disposal shall promptly arrange for the delivery of such of the Information as was requested (at the cost of the requesting party).

Section 7.5 Confidentiality.

(a) Each of 3M and Imation shall, and shall cause its officers, employees, agents, consultants, advisors and Affiliates to, hold, in strict confidence and not disclose to another, except as provided herein or compelled to disclose by judicial or administrative process or, in the opinion of its independent legal counsel, by other requirements of law, confidential information concerning the other party.

(b) For purposes of this Section 7.5, confidential information about a particular party (referred to herein as the "first party") shall mean information known by the other party on the Distribution Date and reasonably understood by the other party to be confidential and related to the first party's business interests, or disclosed confidentially by the first party to the other party after the Distribution Date under the terms and for purposes of this Agreement or any of the Related Agreements except for:

- (i) information learned by the other party for the first time after the Distribution Date, but prior to any disclosure by the first party;
- (ii) information which is or becomes publicly available through no act of the other party, from and after the date of public availability;
- (iii) information disclosed to the other party by a third

party, provided (a) under the circumstances of disclosure the other party does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including the first party, and (c) the disclosure by the third party is not otherwise unlawful;

- (iv) information developed by the other party independent of any confidential information of the first party which is known by the other party on the Distribution Date and/or disclosed by the first party thereafter;
- (v) information which pursuant to the terms of the Intellectual Property Agreement or any of the other Related Agreements is specifically excluded from the definition of confidential information; and
- (vi) information which the other party can demonstrate was disclosed by a business of the other party to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(c) The foregoing restrictions shall expire with respect to business information which is confidential information five (5) years after the date of disclosure of such information, unless and to the extent 3M and Imation agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is confidential information of Imation and/or 3M, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either confidential information of 3M known by Imation or confidential information of Imation known by 3M on the Distribution Date shall be considered to be the Distribution Date. 3M and Imation each shall not disclose to another or use except for purposes of fulfilling its obligations under this Agreement or the relevant Related Agreements any business information which is confidential information of Imation or confidential information of 3M, respectively. In addition, 3M and Imation each shall not disclose to another or use except for purposes of fulfilling its obligations under this Agreement or the relevant Related Agreement any technical information which is confidential information of Imation or confidential information of 3M, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be confidential information.

(d) Each party shall protect confidential information of the other party by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's confidential information as the party uses to protect its own confidential information of a like nature.

(e) Each party shall insure that its Affiliates, sublicensees and other transferees (such as advisors, attorneys and other consultants) agree to be bound by the same restrictions on use and disclosure of confidential information as bind the party in advance of the disclosure of confidential information to them.

(f) The parties recognize that confidential information disclosed hereunder or under the Related Agreements may relate to an Extraordinary Sensitive Technology as defined in, and contemplated by, the Intellectual Property Agreement. Any such confidential information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Agreement.

Section 7.6 Privileged Matters.

(a) Imation and 3M agree to maintain, preserve and assert all privileges that either party may have, including without limitation, any privilege or protection arising under or relating to any attorney-client

relationship that existed prior to the Distribution Date ("Privilege" or "Privileges"). 3M and Imation shall be entitled in perpetuity to require the assertion or decide whether to consent to the waiver of any and all Privileges which, in the case of Imation, relate to the Transferred Assets and/or Transferred Liabilities and, in the case of 3M, relate to the assets and/or liabilities not transferred to Imation. Imation and 3M shall each use the same degree of care as it would with respect to itself so as not to waive any Privilege which could be asserted under applicable law without the prior written consent of the other party. The rights and obligations created by this Section 7.6 shall apply to all Information as to which, but for the Distribution, 3M or Imation would have been entitled to assert or did assert the protection of a Privilege ("Privileged Information"), including but not limited to (i) all Information generated prior to the Distribution Date but which, after the Distribution, is in the possession of the other party or its Affiliates; (ii) all communications subject to a Privilege occurring prior to the Distribution Date between counsel for 3M and any person who, at the time of the communication, was an employee of 3M, regardless of whether such employee is or becomes an Imation employee or an employee of an Imation Affiliate; and (iii) all Information generated, received or arising after the Distribution Date that refers or relates to Privileged Information generated, received or arising prior to the Distribution Date but which, after the Distribution Date, is in the possession of the other party or its Affiliates.

(b) Upon receipt by any party or its Affiliates of any subpoena, discovery or other request which arguably calls for the production or disclosure of Privileged Information of the other party and whenever any party obtains knowledge that any current or former employee of such party or its Affiliates has received any subpoena, discovery or other request which arguably calls for the production or disclosure of Privileged Information, such party shall promptly notify the other party of the existence of the request and shall provide the other party a reasonable opportunity to review the Information and to assert any rights it may have under this Section 7.6 or otherwise to prevent the production or disclosure of Privileged Information. Each party and its Affiliates will not produce or disclose any Information covered by a Privilege of the other party under this Section 7.6 unless (a) the other party has provided its express written consent to such production or disclosure, or (b) a court of competent jurisdiction has entered a final, non-appealable order finding that the Information is not entitled to protection under any applicable Privilege.

(c) 3M's transfer of Books and Records and any other Information to Imation, and 3M's agreement to permit Imation to possess Privileged Information occurring or generated prior to the Distribution Date, are made in reliance on Imation's agreement, as set forth in this Section 7.6, to maintain the confidentiality of Privileged Information and to maintain, preserve and assert all applicable Privileges. The access to information granted or permitted by this Agreement, the agreement to provide witnesses and individuals pursuant to Section 7.3 hereof and transfer of Privileged Information to Imation pursuant to this Agreement shall not be deemed a waiver of any Privilege that has been or may be asserted under this Section 7.6 or otherwise. Nothing in this Agreement shall operate to reduce, minimize or condition the rights granted to either party in, or the obligations imposed upon either party by, this Section 7.6.

Section 7.7 Mail and Other Communications. Each of 3M and Imation agrees to forward or direct (as appropriate) to the other party any mail or other communications of such other party which is received by it.

ARTICLE VIII

EMPLOYEE MATTERS AND BENEFITS

Section 8.1 Employment. At the Distribution Date, Imation shall employ each Transferred Employee at an annual compensation rate no less than such Transferred Employee's current annual compensation rate with 3M. Transferred Employees employed in the United States or employed outside the United States on temporary foreign assignments (including foreign service employees, as described in Schedule 8.11 attached hereto) are referred to herein as the "U.S. Transferred Employees;" all other Transferred Employees are referred to herein as the "O.U.S. Transferred Employees." Imation shall continue the status of a Transferred Employee on leave of absence or shorter long-term disability absence, other than the leave of absence status of a Transferred Employee on preretirement leave, and shall recall, reinstate, and/or terminate the employment of such Transferred Employees in accordance with the leave of

absence policy applicable to the Transferred Employee that was in effect when the Transferred Employee's leave of absence began. Notwithstanding anything to the contrary in this Section 8.1, Imation shall not be obligated to employ any person who declines employment with Imation and such person shall not be considered a Transferred Employee.

Section 8.2 Qualified and NonQualified Retirement and Benefit Plans.

(a) On or before the Distribution Date, Imation shall (i) establish, effective as of the Distribution Date, a defined benefit plan (the "Imation Defined Benefit Plan") and a defined contribution plan (the "Imation Defined Contribution Plan"), in each case, intended to qualify under Section 401(a) of the Code (the Imation Defined Benefit Plan and the Imation Defined Contribution Plan being collectively referred to as the "Imation Pension Plans"), (ii) establish, on or before the Distribution Date, trusts under the Imation Pension Plans intended to qualify under Section 501(a) of the Code, (iii) establish, effective as of the Distribution Date, a nonqualified pension benefit plan (the "Imation Nonqualified Pension Plan" and together with the Imation Defined Benefit Plan, the "Imation Defined Benefit Plans"), and (iv) establish, effective as of the Distribution Date, a plan similar to the 3M Senior Executive Split Dollar Plan (the "3M Survivor Program"). The Imation Defined Contribution Plan shall relate and apply to compensation paid on or after the Distribution Date, and shall be (or shall have a component thereof that consists of) an employee stock ownership plan within the meaning of Sections 409 and 4975(e)(7) of the Code (the "Imation ESOP").

(b) On or before the Distribution Date, 3M shall direct the Trustee of the 3M Voluntary Investment Plan and Employee Stock Ownership Plan (the "3M 401(k)/ESOP") to transfer (the "ESOP Transfer") from the trusts established thereunder to the trust under the Imation Defined Contribution Plan, an amount (in the form determined by 3M unless otherwise provided herein) equal to the sum of the account balances (including liabilities associated with outstanding participant loans) of each Transferred Employee as of the date of transfer (the "ESOP Transfer Date"); provided, however, that all shares of 3M Common Stock and Imation Common Stock represented by units allocated to the accounts of Transferred Employees shall be transferred, in kind, to the Imation Defined Contribution Plan. Notwithstanding anything contained herein to the contrary, no such transfer shall take place until the 31st day following the filing of all required Forms 5310-A in connection therewith.

(c) Effective as of the ESOP Transfer Date, Imation and the Imation Defined Contribution Plan shall assume and become solely responsible for the satisfaction of all liabilities under the 3M 401(k)/ESOP in respect of the Transferred Employees, and 3M and the 3M 401(k)/ESOP shall be relieved of and shall cease to have any responsibility for the satisfaction of such liabilities, other than for any reconciliations required after the ESOP Transfer Date.

(d) Effective as of the Distribution Date, 3M shall assign to Imation all insurance policies assigned to 3M with respect to Transferred Employees under the 3M Survivor Program, and all company owned life insurance policies related thereto with respect to Transferred Employees.

(e) Effective as of the Distribution Date, 3M shall amend the 3M 401(k)/ESOP, the Employee Retirement Income Plan of Minnesota Mining and Manufacturing Company (the "3M Defined Benefit Plan," and together with the 3M 401(k)/ESOP, the "3M Qualified Pension Plans"), the Nonqualified Pension Plan I for Minnesota Mining and Manufacturing Company and the Nonqualified Pension Plan II for Minnesota Mining and Manufacturing Company (collectively the "3M Nonqualified Pension Plans," and together with the 3M Qualified Pension Plans, the "3M Pension Plans") as follows: (i) each of the 3M Pension Plans shall be amended to provide that no benefits shall accrue (except as provided otherwise in this Agreement) and no contributions shall be allocated with respect to a Transferred Employee under the 3M Pension Plans with respect to any period commencing on or after the Distribution Date, and no forfeitures shall be allocated after the Distribution Date with respect to a Transferred Employee under the 3M 401(k)/ESOP; (ii) the 3M Defined Benefit Plan and the 3M Nonqualified Pension Plans (collectively, the "3M Defined Benefit Plans") shall be amended to provide that the accrued benefits of Transferred Employees under the 3M Defined Benefit Plans as of the Distribution Date (the "Accrued Benefits") shall be fully vested, and the 3M 401(k)/ESOP shall be amended to provide that the account balances of each Transferred Employee thereunder as of the Distribution Date shall be fully vested; (iii) the 3M Defined Benefit Plans shall be amended to provide that, for purposes of eligibility for early retirement subsidies attributable to each Transferred Employee's Accrued

Benefit, each such Transferred Employee's years of service with Imation shall be recognized; and (iv) the 3M Defined Benefit Plans shall be amended to provide the following Special Retirement Benefits (the "3M Special Retirement Benefits") for each Grandfathered Employee (as defined in Section 8.2 (h) (ii)): For each year of service with Imation, each Grandfathered Employee will be credited with a benefit equal to one-half of (A) plus (B), where (A) is 4% of such Grandfathered Employee's Accrued Benefit and (B) is 4% of any benefits previously accrued on behalf of such Grandfathered Employee pursuant to Sections 8.2(e) (iv) and 8.2(h) (ii) hereof. 3M and the 3M Defined Benefit Plans shall remain solely responsible for all liabilities with respect to the Accrued Benefits and the 3M Special Retirement Benefits and Imation and the Imation Pension Plans shall have no liability or responsibility therefor. 3M and Imation agree that the transfer of the Transferred Employees to Imation shall not constitute an event entitling any such Transferred Employee to a distribution from the 3M Pension Plans.

(f) Effective as of the Distribution Date, 3M shall amend 3M's Deferred Compensation Plan to provide that all U.S. Transferred Employees shall no longer be eligible to make deferrals thereto. 3M shall retain sole responsibility for, and all liabilities relating to, 3M's Deferred Compensation Plan, and Imation shall have no liability or responsibility therefor.

(g) Imation agrees to indemnify and hold harmless 3M, its officers, directors, employees, employee benefit plans and trusts, employee benefit plan trustees, agents and affiliates from and against any and all costs, damages, losses, expenses (including reasonable attorneys' fees and costs), or other liabilities arising out of or related to the Imation Pension Plans, other than any such costs, damages, losses, expenses or other liabilities relating to the ESOP Transfer that are directly attributable to the acts or omissions of any such parties prior to or on the Distribution Date, and 3M agrees to indemnify and hold harmless Imation, its officers, directors, employees, employee benefit plans and trusts, employee benefit plan trustees, agents and affiliates from and against any and all costs, damages, losses, expenses (including reasonable attorneys' fees and costs), or other liabilities relating to the ESOP Transfer which are directly attributable to such acts or omissions.

(h) (i) The Imation Pension Plans shall provide, effective as of the Distribution Date, that U.S. Transferred Employees shall (A) immediately upon their becoming employees of Imation, become eligible to participate in the Imation Pension Plans, (B) with respect to the Imation Defined Contribution Plan, for all purposes (including vesting, eligibility for benefits and benefit determination) receive credit for all service credited for such purposes under the 3M 401(k)/ESOP as of the Distribution Date as if the service had been rendered to Imation, and (C) with respect to the Imation Defined Benefit Plans, for all purposes other than for purposes of benefit accrual, including participation, eligibility and vesting, receive credit for all service credited for such purposes under the 3M Defined Benefit Plans as of the Distribution Date as if the service had been rendered to Imation.

(ii) In addition to other retirement benefits accrued thereunder, the Imation Defined Benefit Plans shall provide the following special retirement benefits (the "Imation Special Retirement Benefits") for each U.S. Transferred Employee who has at least 10 years of 3M service as of the Distribution Date, and whose combined age and years of 3M service equal 50 or more as of the Distribution Date (the "Grandfathered Employees"). For each year of service with Imation, each Grandfathered Employee will be credited with a benefit equal to one-half of (A) plus (B), where (A) is 4% of such Grandfathered Employee's Accrued Benefit and (B) is 4% of any benefits previously accrued on behalf of such Grandfathered Employee pursuant to Sections 8.2(e) (iv) and 8.2(h) (ii). The Imation Special Retirement Benefits shall be payable in the same form that each Grandfathered Employee's Accrued Benefits are paid under the 3M Defined Benefit Plans, and Imation's Defined Benefit Plans shall provide that Grandfathered Employees shall be eligible for the same subsidies for early retirement as are applied to each Grandfathered Employee's Accrued Benefits under the 3M Defined Benefit Plans.

(i) 3M and Imation shall provide each other such records and information as may be necessary or appropriate to carry out their obligations under this Section 8.2 or for the purposes of administration of the 3M Pension Plans and the Imation Pension Plans, and they shall cooperate in the filing of documents required by the transfer of assets and liabilities described herein.

(j) 3M shall retain sole responsibility for, and all liabilities relating to, the 3M Nonqualified Pension Plans, and Imation shall have no liability or responsibility therefor.

(k) Imation acknowledges that 3M, following discussions with the management of Imation, has represented to the Internal Revenue Service in connection with 3M's request for a private letter ruling as to the federal income tax consequences of the Distribution, and, to effect such representations, Imation agrees that (i) Imation will establish an employee stock ownership plan (the "Imation ESOP") that satisfies the requirements of Sections 401(a) and 4975(e)(7) of the Code, in which non-union domestic employees of Imation and Imation Enterprises shall be eligible to participate, and (ii) within five years after the Distribution a minimum of 4% of the Imation Common Stock then outstanding will be held by the Imation ESOP for the benefit of Imation Employees.

Section 8.3 Welfare Plans.

(a) 3M agrees that it shall take or cause to be taken all action necessary and appropriate to:

(i) direct the trustees of each trust created under Section 501(c)(9) of the Code for the purpose of funding the payment of benefits under certain of the employee welfare benefit plans of 3M (individually, a "3M VEBA"), other than the EBTA, as defined in clause (ii) below, to transfer, as soon as practicable following the date that the required data is available, to the trust or trusts established by Imation, which are intended to constitute "voluntary employees' beneficiary associations" within the meaning of Section 501(c)(9) of the Code (individually an "Imation VEBA"), the actuarially determined portion of the assets of such 3M VEBAs (as determined by the certified actuary engaged by 3M for this purpose under generally accepted actuarial principles) attributable to the Transferred Employees for such benefits as are being offered by Imation under the corresponding Imation VEBA, including assets attributable to Transferred Employees relating to employee medical and dental benefits, and long-term disability benefits, but excluding, for this purpose, post-retirement medical, dental and life insurance benefits;

(ii) in the case of the trust created under Section 501(c)(9) of the Code by the 3M Employees' Benefits Trust Association (the "EBTA"), request the Board of Directors of the EBTA to direct, after the Distribution Date, and as soon as practicable following the date that the required data is available, the trustee of such EBTA and its insurers to transfer to the corresponding Imation VEBA the actuarially determined portion (as determined by such EBTA's actuary under generally accepted actuarial principles) of the assets and premium stabilization reserve of such EBTA attributable to the Transferred Employees;

(iii) amend its post-retirement medical benefit plans (the "3M Post-Retirement Medical Plans") to cover each U.S. Transferred Employee whose combined age and years of 3M service as of the Distribution Date equals 60 or more (with a minimum of 5 years of 3M service and a minimum age of 50 as of the Distribution Date) and who retires from employment with Imation, the benefits (if any) payable to such U.S. Transferred Employee to be based on the provisions of the 3M Post-Retirement Medical Plans as in effect at the time such U.S. Transferred Employee retires from employment with Imation, and as such plans may be amended thereafter;

(iv) provide or arrange for the provision of benefits administration services for a period of up to 24 months following the Distribution Date, as described in the Corporate Services Transition Agreement, with respect to the employee welfare benefit plans to be adopted by Imation in accordance with Section 8.3(c) hereof; and

(v) pay (A) the severance costs of employees who have accepted, on or prior to the Distribution Date, the terms of a voluntary separation plan offered prior to the Distribution Date by any of the business units or at the plants listed on Schedule 1.1A, (B) the severance costs, if any, relating to Leased Employees, (C) the severance costs relating to employees at the Beauchamp, France facility of 3M who will be performing contract manufacturing services for Imation (except that Imation shall be responsible for severance costs associated with up to 20% of such employees up to an aggregate cost to Imation not to exceed \$1 million) and (D) the severance and indemnity costs incurred as a result of the transfer of O.U.S. Transferred Employees, but only if, and to the extent that, such severance and indemnity costs are imposed pursuant to applicable foreign law (it being understood, however, that 3M shall not be responsible for any severance costs payable after the Distribution Date with respect to employees at the Imation facilities in Harlow, England; Ferrania, Italy; Sulmona, Italy; London, Ontario; and Florida,

Argentina).

(b) Imation agrees that:

(i) it shall assume and be solely responsible for all liabilities and obligations whatsoever of 3M in connection with claims for benefits incurred on or after the Distribution Date by or in respect of Transferred Employees under the welfare benefit plans maintained by 3M for employees and the workers' compensation, unemployment compensation and other legally required employee benefits programs maintained by 3M, and 3M shall cease to have any such liability or obligation. For purposes of this Section 8.3, "incurred" shall mean (A) with respect to medical and dental benefits, the date that services are performed; and (B) with respect to survivor benefits, the date of death. With respect to disability benefits, Imation shall assume and be solely responsible for all disability payments with respect to Transferred Employees (including Transferred Employees who are on short or long-term disability absences on or prior to the Distribution Date) payable on or after the Distribution Date;

(ii) it shall assume and be solely responsible for all liabilities and obligations whatsoever of 3M in connection with 3M's vacation plan for the unused vacation benefits of all Transferred Employees as of the Distribution Date, and shall adopt a vacation plan which, among other things, pays Transferred Employees the value of such Transferred Employees' unused vacation benefits earned under 3M's vacation plan as of the Distribution Date; and

(iii) it shall reimburse 3M on at least a quarterly basis for 3M's and its Affiliates' net costs (excluding internal administration costs) arising from their payments of workers' compensation benefits and liabilities on or after the Distribution Date payable to or with respect to Transferred Employees for whom 3M or its Affiliates have an obligation to make such payments after the Distribution Date and for which 3M or its Affiliates have not received any reimbursement either from Imation or from insurance.

(c) Imation further agrees that it shall take, or cause to be taken all action necessary and appropriate:

(i) to establish, effective as of the Distribution Date for a period of not less than 18 months, for the benefit of U.S. Transferred Employees while such employees are employed by Imation, employee welfare benefit plans (other than vacation plans) substantially similar to those employee welfare benefit plans covering employees of the U.S. Transferred Businesses immediately prior to the Distribution Date. Imation shall recognize all employment service and earnings of a U.S. Transferred Employee recognized by 3M as employment service and earnings of Imation for purposes of applying the provisions of any Imation welfare benefit plan or similar program, including any vacation plan or program, where the U.S. Transferred Employee's benefits thereunder are a function of the employee's employment service or earnings or a combination thereof;

(ii) on or before the Distribution Date, to adopt as a successor employer, on a retroactive basis from January 1, 1996, the 3M Flexible Benefits Program, including the health care reimbursement account and dependent daycare reimbursement account covering the Transferred Employees, as if such Transferred Employees' employment with Imation was a continuation of their employment with 3M (the "Imation Flexible Benefits Program"). At the same time that Imation adopts its Flexible Benefits Program, it shall amend such Program to provide that any unused flexible benefit credits shall be paid in cash to the respective employees, and not invested in employer common stock, as currently provided under the 3M Flexible Benefits Program. Imation shall effect payment of all wage and salary deductions of participating Transferred Employees required under such plans to 3M as Imation's agent, pursuant to the Corporate Services Transition Agreement through December 31, 1997, for application by 3M toward the disbursement of reimbursement benefits and medical, dental and life insurance premium amounts to, or with respect to, such Transferred Employees on Imation's behalf, with a final accounting of all such receipts and disbursements by 3M on or before July 31, 1998. All liabilities relating to the Transferred Employees' rights and benefits described in this clause (ii) shall be assumed by Imation as of the Distribution Date, and 3M shall cease to have any such liability or obligation therefor. As soon as practicable following the date that the required data is available, 3M shall reduce the amount that Imation is required to reimburse it for Imation's Flexible Benefits Program benefit payments in accordance with the Corporate Services Transition Agreement by the aggregate net amounts credited to the health care reimbursement accounts and the

dependent daycare reimbursement accounts of the Transferred Employees under such Program as of June 30, 1996. Thereafter, through June 30, 1998, Imation shall periodically, but in no event less frequently than monthly, reimburse 3M for claims paid by 3M thereunder;

(iii) to provide the benefit coverage otherwise necessary to assume the liabilities and obligations that are or shall become the responsibility of Imation under this Section 8.3; and

(iv) to make legally required contributions or payments pursuant to any law providing for workers' compensation, unemployment compensation, disability benefits or other legally required employee benefit programs with respect to Transferred Employees, and to retain any accounts or reserves relative to such benefits held solely by Imation for such Transferred Employees.

In connection with the foregoing, 3M agrees to provide Imation or its designated insurance representative with such information as may be reasonably requested by Imation and necessary for Imation to assume, establish or maintain such plans, funding arrangements, and benefit coverage.

Section 8.4 Assumption of Certain Employee Related Obligations.

(a) Effective as of the Distribution Date, Imation shall assume and 3M shall have no further obligation or liability for:

(i) all incentives, bonus and deferred compensation (including profit sharing and commissions, but excluding all obligations and liabilities with respect to 3M's Deferred Compensation Plan) earned by Transferred Employees but not paid on or before the Distribution Date, except as otherwise provided in paragraph (b) below;

(ii) any requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") to provide continuation of health care coverage to any Transferred Employee or "qualified beneficiary", as defined in COBRA, of a Transferred Employee who loses coverage as a result of a "qualifying event", as defined in COBRA, that occurs after the Distribution Date;

(iii) any and all obligations to make premium payments due on or after the Distribution Date with respect to Transferred Employees who participate in the Imation successor program to the 3M Survivor Program; and

(iv) all liability under the Performance Unit Plan of 3M (the "PUP") with respect to Transferred Employees that are attributable to the 1996 award, other than that portion of the 1996 award that was earned during 1996.

(b) 3M shall retain all liability with respect to Transferred Employees under the PUP for all awards made prior to 1996 and that portion of the 1996 award that was earned during 1996.

Section 8.5 Other Liabilities and Obligations. As of the Distribution Date, Imation shall assume and be solely responsible for all liabilities and obligations whatsoever of the Transferred Businesses with respect to claims made by or with respect to Transferred Employees, relating to their employment with or termination from the Transferred Businesses or 3M not otherwise provided for in this Agreement, including, without limitation, earned salary, wages or other compensation and accrued holidays and other termination benefits.

Section 8.6 Preservation of Rights to Amend or Terminate Plans. No provisions of this Agreement, including, without limitation, the agreement of 3M or Imation that it will make a contribution or payment to or under any plan referred to herein for any period, shall be construed as a limitation on the right of 3M or Imation to amend such plan or terminate its participation therein which 3M or Imation would otherwise have under the terms of such plan or otherwise; provided, however, that no amendment shall reduce or eliminate (i) the Transferred Employees' unused account balances under the Flexible Benefits Program required to be adopted pursuant to Section 8.3(c) (ii) hereof; or (ii) the Transferred Employees' unused vacation benefits as of the Distribution Date.

Section 8.7 Reimbursement; Indemnification. Imation and 3M acknowledge that each may incur costs and expenses (including, without limitation, contributions to plans and the payment of insurance premiums) pursuant to any of the employee benefit or compensation plans, program or arrangements, which are, as set forth in this Agreement, the responsibility of the other party. Accordingly, 3M and Imation agree to reimburse each other, as soon as practicable but in any event within 30 days of receipt from the other party of appropriate verification, for all such costs and expenses, as the case may be, as an indemnitee in respect of the corresponding payment made by it, as determined pursuant to Section 5.2(d) hereof, except to the extent that any such payment or reimbursement would be duplicative.

Section 8.8 Stock Plans.

(a) 3M Stock Option Plans. 3M shall be solely responsible for satisfying all option exercises by Transferred Employees under the Stock Option Plans with respect to options to acquire shares of 3M Common Stock which are outstanding as of the Distribution Date. 3M shall cause such Stock Option Plans to be interpreted so that employment of the Transferred Employees with Imation shall be treated as employment with 3M for purposes of the Stock Option Plans' provisions causing outstanding stock options to expire upon the termination of employment of the option holder. Notwithstanding the foregoing, no options (including Progressive Stock Options, as defined in the Stock Option Plans) shall be granted to Transferred Employees under the Stock Option Plans after the Distribution Date. As soon as reasonably possible following the Distribution Date, Options that are outstanding and unexercised under the Stock Option Plans immediately prior to the Distribution Date (the "3M Options"), shall be adjusted as follows:

(i) if there is an ex-dividend market for 3M Common Stock prior to the Distribution Date, then (A) the shares subject to the 3M Options shall be multiplied by a fraction, the numerator of which is the closing per share price of 3M Common Stock on the last trading day immediately preceding the ex-dividend date, and the denominator of which is the closing price per share of 3M Common Stock on the ex-dividend date, with the resulting number of shares rounded downward to the nearest share, and (B) the exercise price of each such share shall be divided by the fraction set forth in clause (A) above, with the resulting price rounded upward to the nearest cent; and

(ii) if there is no ex-dividend market for 3M Common Stock prior to the Distribution Date, then (A) the shares subject to the 3M Options shall be multiplied by a fraction, the numerator of which is the closing price per share of 3M Common Stock on the last trading day immediately preceding the date on which 3M Common Stock begins trading without the Imation dividend (i.e., without due bills) and the denominator of which is the closing price per share of 3M Common Stock on the first trading day that 3M Common Stock begins trading without the Imation dividend (i.e., without due bills), with the resulting number of shares rounded downward to the nearest share, and (B) the exercise price of each such share shall be divided by the fraction set forth in clause (A) above, with the resulting price rounded upward to the nearest cent.

Imation agrees to promptly notify 3M of the death or termination of employment for any reason of each Transferred Employee for 3M's use in administering its Stock Option Plans with respect to outstanding stock options held by such Transferred Employees.

This Section 8.8(a) shall be interpreted and applied in the discretion of the 3M Compensation Committee, whose interpretation and application shall be binding upon all optionees under the Stock Option Plans.

(b) 3M Stock Purchase Plan. As soon as possible following the Distribution Date, each option to purchase 3M Common Stock that is outstanding and unexercised under the 3M 1992 General Employees Stock Purchase Plan shall be adjusted in a manner similar to the manner that the 3M Options are adjusted pursuant to paragraph (a) above.

(c) Imation Stock Options. On or prior to the Distribution Date, Imation shall adopt a stock option plan (the "Imation Employee Stock Incentive Plan") enabling Imation to grant options to Transferred Employees, and 3M, as the sole stockholder of Imation, shall approve the Imation Employee Stock Incentive Plan. Imation agrees to take all actions necessary or appropriate to grant, effective as of a date not later than 60 days following the Distribution Date, stock options to purchase Imation Common Stock (the "Imation Stock Options") under the Imation Employee Stock Incentive Plan. The Imation Stock Options shall have an exercise price equal to the fair market value of Imation

Common Stock as of the date of grant and shall be granted to those Transferred Employees designated by 3M, who would otherwise have been granted options in May 1996, to purchase shares of 3M Common Stock under the 3M Stock Option Plans (the "1996 Grants"). The aggregate number of shares for which Imation Stock Options shall be granted pursuant to this Section 8.8(c) shall be equal to the product of (A) multiplied by (B), where (A) is the aggregate number of shares of 3M Common Stock for which options would have been granted to such Transferred Employees in May, 1996, but for the Distribution (as disclosed to Imation by 3M) and (B) is 1.5. The Imation Stock Options shall be granted to the Transferred Employees in the same proportion as the 1996 Grants would have been granted to such Transferred Employees. The vesting schedule and other material terms and conditions of such Imation Stock Options shall be no less favorable to the applicable Transferred Employees than the vesting schedule and other terms and conditions that would have been provided under the 1996 Grants.

Section 8.9 Limitation on Enforcement. This Article VIII is an agreement solely between 3M and Imation. Nothing in this Agreement or any Related Agreement, whether express or implied, confers upon any employee of 3M or Imation, any Transferred Employee, any former employee of 3M, any beneficiary of a Transferred Employee or former employee of 3M or any other person, any rights or remedies, including, but not limited to (i) any right to employment or recall, (ii) any right to continued employment for any specified period or (iii) any right to claim any particular compensation, benefit or aggregation of benefits, of any kind or nature whatsoever, as a result of this Article VIII.

Section 8.10 Employment Following the Distribution Date. For a period of 24 months following the Distribution Date, 3M shall not employ any Transferred Employee without the consent of Imation's Chief Executive Officer and 3M's Vice President, Human Resources. For a period of 60 months following the Distribution Date, Imation shall not hire any employee of 3M who is on preretirement leave from 3M. For a period of 36 months following their last day of employment with 3M, Imation shall not hire any former employee of 3M who has signed a release which includes an agreement not to apply for employment with 3M or Imation.

Section 8.11 Foreign Service Employee and O.U.S. Transferred Employee Obligations.

(a) Imation shall assume all obligations of 3M with respect to any U.S. Transferred Employee who immediately prior to the Distribution Date served as a foreign service employee, including the obligations described in Schedule 8.11 attached hereto.

(b) All rights, obligations, terms and conditions relating to O.U.S. Transferred Employees shall be subject to, and governed by, the terms of the Foreign Asset Transfer Agreements.

ARTICLE IX

INSURANCE

Section 9.1 General. Except as provided in this Article, 3M shall keep in effect all policies under its Insurance Program in effect as of the date hereof insuring the Transferred Assets and operations of the Transferred Businesses until 12:00 midnight on the Distribution Date, unless Imation shall have earlier obtained appropriate coverage and notified 3M in writing to that effect. Beginning at 12:01 a.m. on the day following the Distribution Date, Imation will cease to be a named insured on a world-wide basis under all policies in 3M's Insurance Program. Imation understands that the effect of these actions will be to eliminate insurance coverage not only for future occurrences but also for prior occurrences which might have given or may give rise to liabilities for which Imation and its Affiliates would be responsible.

Section 9.2 Imation's Insurance.

(a) Imation will purchase and pay for the types and amounts of insurance coverage that it deems appropriate for the period beginning on and continuing after May 1, 1986, including Broad Form Contractual Liability insurance coverage as to Imation's indemnity obligations set forth in the Distribution Agreement and in the Related Agreements.

(b) 3M, for and on behalf of Imation, will purchase and pay

for on a one-time basis certain Products and Completed Operations Insurance Coverage covering certain periods prior to the Distribution Date and with such limits as shall be determined by 3M.

(c) Imation agrees that 3M has made no warranty, expressed or implied, and no representation that the insurance described in Section 9.1, 9.2(a) or (b) above is or will be adequate or sufficient to meet Imation's current or future insurance needs.

Section 9.3 Access to 3M's Insurance Program.

(a) Except as provided in Section 9.3(b) hereof, Imation and its Affiliates shall have access through 3M after the Distribution Date to such coverages and limits as may be available under 3M's pre-Distribution Date Insurance Program for covered claims occurring prior to the Distribution Date and listed on Schedule 9.3. Imation understands that no coverage will be available under 3M's Insurance Program unless the claim is listed on Schedule 9.3. Such access shall be subject to available coverage and to all of the terms, conditions, exclusions, retentions and limits of such policies.

(b) Imation's and its Affiliates' access to 3M's Insurance Program as provided in Section 9.3(a) hereof shall be limited as described in this Section 9.3(b):

(i) Product Liability Insurance. Imation, for itself and its Affiliates, understands and agrees that it will have no access to any insurance provided by 3M's "Products and Completed Operations Insurance Coverage" policies for all years prior to May 1, 1986. Imation and its Affiliates will have access to 3M's claims made products liability coverage for the period May 1, 1986 to the Distribution Date, but such access shall be limited to covered claims 3M has reported to its carriers or underwriters as of the Distribution Date, as listed on Schedule 9.3.

(ii) Environmental Pollution Insurance. Imation understands and agrees that 3M has made no warranty or representation of any insurance recovery or insurance coverage from 3M's Insurance Program with respect to Imation's Assumed Environmental Liabilities. If, in the future, 3M should receive an insurance recovery relating to an Imation Assumed Environmental Liability, 3M shall follow the procedures set forth in Section 9.4 hereof.

(iii) All Other Insurance. Imation, for itself and its Affiliates, understands and agrees that they will have no access to other insurance coverage in 3M's Insurance Program other than as provided in Section 9.3(b) (i) and (ii) above, unless the claim arose prior to the Distribution Date and, in the case of product liability claims, unless the claims are listed on Schedule 9.3.

Section 9.4 Insurance Recoveries. Subject to Sections 9.1 and 9.3 hereof, 3M shall use its reasonable efforts to obtain recoveries for Imation and its Affiliates from 3M's insurance carriers for coverage available under Section 9.3 hereof and will keep Imation reasonably informed of 3M's efforts under this Section 9.4. 3M will reimburse Imation for any recovery obtained by it pursuant to such claims; provided, however, that notwithstanding the foregoing, if 3M has made a claim or claims under an insurance policy which is not to be paid to Imation pursuant to Section 9.3 and a claim or claims which are to be paid to Imation pursuant to this Article and the amount of the Recovery for such claims is limited by the amount of coverage provided by such policy, 3M may use its reasonable discretion in resolving and allocating the Recovery between it and Imation for such claims. Imation shall pay all costs incurred by 3M after the Distribution Date in making any claim pursuant to this Section 9.4, including the salaries of 3M's officers and employees based on the portion of time spent on such claims and such costs incurred in pursuing a claim may be deducted from any Recovery for such claim. Imation agrees to make available to 3M such of its employees as 3M may reasonably request as witnesses or deponents in connection with 3M's management of claims, at Imation's sole cost and expense. Imation agrees that, if 3M has paid a Recovery to it for such a claim and Imation receives proceeds from any other person with respect to such claim, it will pay over to 3M the amount of proceeds it has received.

Section 9.5 Assignment. Nothing in this Agreement shall be deemed to constitute (or to reflect) an assignment of any insurance policy or insurance benefit.

Section 9.6 Conflicts Between Article IX and 3M's Insurance

Program. Any provision of this Agreement that conflicts with any term or provision of applicable 3M insurance policies shall be void.

ARTICLE X

DISPUTE RESOLUTION

Section 10.1 Mediation and Binding Arbitration. Except with respect to matters involving Section 7.6 hereof (Privileged Matters) and except as may be expressly provided in any other agreement between the parties entered into pursuant hereto, if a dispute, controversy or claim (collectively, a "Dispute") between 3M and Imation or any of their respective Affiliates arises out of or relates to this Agreement, the Related Agreements or any other agreement entered into pursuant hereto or thereto, including, without limitation, the breach, interpretation or validity of any such agreement or any matter involving an Indemnifiable Loss, 3M and Imation agree to use the following procedures, in lieu of either party pursuing other available remedies and as the sole remedy (except as provided in Section 10.5(b) below), to resolve the Dispute.

Section 10.2 Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the Dispute. A meeting shall be held between the parties within 10 days of the receipt of such notice, attended by individuals with decision-making authority regarding the Dispute, to attempt in good faith to negotiate a resolution of the Dispute.

Section 10.3 Submission to Mediation. If, within 30 days after such meeting, the parties have not succeeded in negotiating a resolution of the Dispute, they agree to submit the Dispute at the earliest possible date to mediation in accordance with the Center for Public Resources Model ADR Procedure - - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

Section 10.4 Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator. If they are unable to agree upon such appointment within 20 days from the conclusion of the negotiation period, either party may request the Center for Public Resources or another mutually agreed-upon organization to appoint the mediator.

Section 10.5 Mediation and Arbitration.

(a) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of 30 days or such longer period as they may mutually agree following the initial mediation session, provided, however, that in the event that one party fails to participate in mediation, the Dispute may be referred immediately to arbitration and the time of such failure shall constitute the end of the mediation period. If the parties are not successful in resolving the Dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 10.6 hereof. The arbitration shall be in Minnesota and governed by the Minnesota equivalent of the Federal Arbitration Act, 9 U.S.C. ss. 1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

(b) Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Article X to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes shall expire on July 1, 2001 with respect to disputes of which the party seeking to be indemnified first becomes aware of after such date.

Section 10.6 Selection of Arbitrator. The parties shall have 10 days from the end of the mediation period to agree upon a mutually acceptable person to act as arbitrator. The arbitrator shall be a neutral person (i.e., a person not affiliated with either of the parties). If no arbitrator has been selected within such time, the parties agree jointly to request the Center for Public Resources or another mutually agreed-upon organization to supply within 10 days of such request a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the

arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie shall be broken by putting the names on slips of paper, mixing them up and having one party draw one slip of paper. If one party shall not cooperate in the selection of the arbitrator, the other party may solely select the arbitrator utilizing the procedures set forth in this Section 10.6.

Section 10.7 Cost of Arbitration. The costs of arbitration shall be apportioned between 3M and Imation as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

Section 10.8 Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party initiating the procedures under this Article X and requesting arbitration after having participated, to the extent contemplated herein, in negotiation and mediation under this Article X.

Section 10.9 Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Article X shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

Section 10.10 Confidentiality. All negotiation, mediation and arbitration proceedings under this Article X shall be treated as confidential information in accordance with the provisions of Section 7.5 hereof. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions at least as restrictive as those contained in Section 7.5 hereof.

Section 10.11 Equitable Relief. Nothing herein shall preclude either party from seeking equitable relief to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement or the relevant Related Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Article X. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

Section 10.12 Notices. All notices by one party to the other party in connection with the dispute resolution provisions set forth in this Article X shall be in accordance with the provisions of Section 11.4 hereof [except that no notice may be transmitted by facsimile].

Section 10.13 Consolidation. The arbitrator may consolidate an arbitration under this Agreement with any arbitration arising under or relating to the Related Agreements or any other agreement between the parties entered into pursuant hereto, as the case may be, if the subject of the Disputes thereunder arise out of or relate essentially to the same set of facts or transactions. Such consolidated arbitration shall be determined by the arbitrator appointed for the arbitration proceeding that was commenced first in time.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Complete Agreement. This Agreement, including the Schedules, Annexes and Exhibits and the agreements and other documents referred to herein, shall constitute the entire agreement between 3M and Imation with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter.

Section 11.2 Expenses. Except as otherwise provided in this Agreement, any Related Agreement or any other agreement being entered into by 3M and Imation pursuant to this Agreement, 3M or Imation shall each pay its own costs and expenses incurred in connection with the Distribution (whether or not payable as of the Distribution Date) and with the consummation of the transactions contemplated by this Agreement. In furtherance of the foregoing, it is agreed and acknowledged that 3M will be responsible for all fees of Skadden, Arps, Slate, Meagher & Flom and Morgan Stanley & Co., Incorporated and the costs of printing and mailing the Information Statement and the Imation stock certificates, and Imation shall be responsible for all costs and fees relating to the credit facility being established by Imation at the time of the

Distribution and the registration and transfer of intellectual property and regulatory permits.

Section 11.3 Governing Law. This Agreement, the Related Agreements and any other agreement entered into in connection with this transaction and any questions, claims, disputes, remedies or procedural matters shall be governed exclusively by the laws of the State of Minnesota, without regard to the principles of conflicts of law, as to all matters, including, without limitation, matters of validity, construction, effect, performance and remedies. The parties agree that Minnesota has a substantial relationship to this transaction, and each Party consents to personal jurisdiction in the courts of Minnesota and further agrees that all such matters shall be heard in the federal and state courts in Minnesota.

Section 11.4 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of service if served personally on the party to whom notice is given, (ii) on the day of transmission if sent via facsimile transmission to the facsimile number given below, provided telephonic confirmation of receipt is obtained promptly after completion of transmission, (iii) on the business day after delivery to an overnight courier service or the Express mail service maintained by the United States Postal Service, provided receipt of delivery has been confirmed, or (iv) on the fifth day after mailing, provided receipt of delivery is confirmed, if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, properly addressed and return-receipt requested, to the party as follows:

If to 3M: Minnesota Mining and
Manufacturing Company
3M Center
St. Paul, Minnesota 55144
Attn: General Counsel
Telecopy: (612) 736-7859

If to Imation: Imation Corp.
1 Imation Place
Oakdale, Minnesota 55128
Attn: General Counsel
Telecopy: (612) 736-2185

Any party may change its address by giving the other party written notice of its new address in the manner set forth above.

Section 11.5 Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of the parties.

Section 11.6 Termination. This Agreement may be terminated and the Distribution abandoned at any time prior to the Distribution Date by and in the sole discretion of 3M without the approval of Imation. In the event of such termination, no party shall have any liability of any kind to any other party.

Section 11.7 Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior written consent of the other party.

The obligations under Articles V, VI and VII of this Agreement of Imation and 3M shall survive the sale or other transfer by either of them of any assets or businesses or the assignment by either of them of any Liabilities. To the extent that 3M transfers to a party other than a subsidiary of 3M any of its Retained Liabilities (except for such amounts of Retained Liabilities which are not material individually or in the aggregate), 3M will cause the transferee of such Retained Liabilities to assume specifically its obligations with respect thereto under this Agreement and will cause such transferee to fulfill its obligations related to such Retained Liabilities. To the extent Imation or Imation Enterprises transfers to another party other than a subsidiary of Imation any of the Assumed Liabilities (except for such amounts of Assumed Liabilities which are not material individually or in the aggregate), Imation will cause the transferee of such Assumed Liabilities to assume specifically its obligations with respect thereto under this Agreement and will cause such transferee to fulfill its obligations related to such Assumed Liabilities. In the event the transferee of the Retained Liabilities or Assumed Liabilities does

not fulfill its obligations with respect thereto, 3M and Imation, respectively, shall fulfill their obligations with respect thereto.

Section 11.8 No Third Party Beneficiaries. Except as provided in Section 5.1(a) and 5.1(b), this Agreement is solely for the benefit of the parties hereto and is not intended to confer upon any other person except the parties hereto any rights or remedies hereunder.

Section 11.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 11.10 Interpretation. The Article, Section and subparagraph headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement, the term "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof. Whenever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would so apply.

Section 11.11 Annexes, Etc. The Annexes, Schedules and Exhibits shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

Section 11.12 Construction of Agreements. Notwithstanding any other provisions in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Agreement (or any Conveyancing and Assumption Instrument or other instrument of assumption) and the provisions of any other agreement entered into by 3M or Imation pursuant to this Agreement (including, without limitation, the Related Agreements), the provisions of such other agreement shall control (unless such other agreement provides otherwise).

Section 11.13 Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.14 Survival. All covenants and agreements of the parties contained in this Agreement shall survive the Distribution Date.

Section 11.15 Guaranty. Each Party guarantees the performance of all obligations of its Affiliates under this Agreement, all Related Agreements and all other agreements to be entered into in connection with this transaction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By:
Name:
Title:

IMATION CORP.

By:
Name:
Title:

ANNEX I
ASSUMED LIABILITIES

Assumed Liabilities: all Liabilities and obligations relating to or arising from the operation of the Transferred Businesses (other than Retained Liabilities), whether before or after the Distribution Date, including but not limited to:

(a) all Liabilities and obligations which should be set forth, reflected, disclosed or reserved for on a balance sheet for Imation as of the Distribution Date prepared in the same manner as the March 31, 1996 balance sheet of Imation included in the Information Statement (after giving effect to any pro forma adjustments reflected in the Information Statement);

(b) all Liabilities and obligations of 3M pursuant to, under or relating to all agreements, contracts and leases, whether written or oral, of 3M relating to, but only to the extent that they relate to, the Transferred Businesses, including, without limitation, the leases set forth on Schedule 6.14(a) to the Agreement and acquisition or divestiture agreements entered into on behalf of the Transferred Businesses on or prior to the Distribution Date;

(c) outstanding Bids, Quotations and Proposals pertaining to the Transferred Businesses to the extent that such Bids, Quotations and Proposals can be transferred or assigned without extinguishment; and all contracts awarded to 3M before or after the Distribution Date pertaining to the Transferred Businesses, as (i) assignee if those contracts are assignable and assigned or transferred by operation of law, or (ii) subcontractor if assignment of those contracts and/or the proceeds therefrom is prohibited by law;

(d) all warranty, performance and similar obligations entered into or made in the course of business of the Transferred Businesses with respect to its products;

(e) all Liabilities and obligations to or with respect to Transferred Employees not specifically retained by 3M pursuant to the Agreement or the Related Agreements, including but not limited to withholding, payroll and employment taxes pursuant to Article VIII of the Agreement;

(f) the Liabilities and obligations being assumed by or agreed to be performed by Imation pursuant to any other agreement being entered into in connection with the Agreement, including, without limitation, the Related Agreements;

(g) all Liabilities and obligations relating to all Actions related to or arising out of the operations of the Transferred Businesses, other than those specified as Retained Liabilities;

(h) all Liabilities and obligations arising with respect to the Transferred Businesses under laws, rules or regulations relating to the registration or regulation of the sale or use of products in commerce, including, but not limited to, the Federal Food, Drug and Cosmetic Act, 21 U.S.C. ss. 301 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. ss. 136 et seq.; the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq. (except that provisions of the Toxic Substances Control Act and the regulations promulgated thereunder related to the regulation of polychlorinated biphenyls shall be deemed to be Environmental Laws for purposes of the Environmental Matters Agreement, and Liabilities related to the management, transportation, disposal and remediation of polychlorinated biphenyls shall be governed by the terms of the Environmental Matters Agreement); and similar state and local laws; and

(i) all Liabilities and obligations under corporate credit cards which had been issued by 3M to Transferred Employees.

ANNEX II
RETAINED LIABILITIES

Retained Liabilities: the following Liabilities and obligations as of the Distribution Date:

(a) all Liabilities and obligations with respect to

Transferred Employees provided in Article VIII of the Agreement as being Liabilities and obligations of 3M;

(b) all Liabilities and obligations under the Related Agreements which are Liabilities or obligations of 3M;

(c) all Liabilities related to non-United States operations which pursuant to Section 2.3 of this Agreement or the agreements contemplated thereby are not to be assumed by Imation or its Affiliates;

(d) subject to the provisions of Section 5.6 of this Agreement, all Liabilities and obligations arising out of the litigation entitled Minnesota Mining & Manufacturing Company v. Nishika, Ltd., et al. (Supreme Court of Texas; Case No. 94-1124);

(e) all Liabilities and obligations arising out of checks which have been mailed, but not presented for payment, prior to the Distribution Date; and

(f) all Liabilities with respect to trade payables relating to the operations of the Transferred Businesses outside the United States which are being retained by 3M or its Affiliates pursuant to the terms of this Agreement.

ANNEX III TRANSFERRED ASSETS

Transferred Assets: All assets and properties of 3M used principally in the Transferred Businesses as of the Distribution Date (other than Excluded Assets), including but not limited to:

(a) All assets and properties which should be set forth or reflected on a balance sheet for Imation as of the Distribution Date prepared in the same manner as the March 31, 1996 balance sheet of Imation included in the Information Statement (after giving effect to any pro forma adjustments reflected in the Information Statement)

(b) the real properties owned by 3M and used in the Transferred Businesses which are set forth on Exhibit A hereto, including buildings, structures and improvements (including construction in progress) located thereon, fixtures contained therein and appurtenances thereto;

(c) all of 3M's right and interest in, to and under all leases for real property relating to the Transferred Businesses, which are set forth on Exhibit B hereto;

(d) all of 3M's right and interest in, to and under all outstanding Bids, Quotations and Proposals pertaining to the Transferred Businesses to the extent that such Bids, Quotations and Proposals can be transferred or assigned without extinguishment; all of 3M's right and interest in, to and under all contracts and agreements awarded to 3M before or after the Distribution Date pertaining to the Transferred Businesses, as assignee if those contracts are assignable and assigned or transferred by operation of law; payment of a subcontract price equal to the monies, rights and other considerations received by 3M under contracts and agreements awarded to 3M before or after the Distribution Date pertaining to the Transferred Businesses if assignment of those contracts and/or agreement and/or the proceeds therefrom is prohibited by law;

(e) all machinery, equipment and other items of tangible personal property (including construction in progress) owned by 3M which are utilized principally in the Transferred Businesses (including any such assets located at the 3M facilities in Menomonie, Wisconsin, or Breda, Netherlands);

(f) all of 3M's rights with respect to trade receivables relating to the Transferred Businesses, except as otherwise provided in Section 2.3 of this Agreement or the foreign transfer agreements entered into by Affiliates of 3M and Imation pursuant to such Section 2.3;

(g) all rights and interests of 3M in, to and with respect to the intellectual property rights concerning the Transferred Businesses to the extent, but only to the extent, such rights are being licensed

and assigned to Imation pursuant to, and in accordance with, the Intellectual Property Agreement;

(h) all of the Books and Records (except as otherwise provided in the Intellectual Property Agreement);

(i) inventories of raw materials, work-in-process, finished products, supplies and spare parts which at the Distribution Date are owned by 3M and relate principally to the Transferred Businesses and any property under bailment relating to the Transferred Businesses;

(j) all permits and licenses held by 3M which are transferable and which relate principally to the Transferred Businesses;

(k) all intangible assets, other than intellectual property rights, of 3M used solely in the Transferred Businesses;

(l) employee receivables, temporary and permanent travel advances and funds advanced for travel not yet taken relating to Transferred Employees and all petty cash funds in the possession of Transferred Businesses and all prepayments and deposits;

(m) all supplies, forms, labels, shipping material, catalogues, sales brochures, operating manuals, instructional documents and advertising material held for use by the Transferred Businesses;

(n) all shares of capital stock of Imation Enterprises, CD-Rom B.V./C.V., CD-Rom Services (A), Inc., CD-Rom Services (B), Inc., Imation Finanziaria S.p.A., Minnesota 3M Research, Limited, Imation France S.A., Imation Argentina S.A. and Imation do Brasil Ltda. owned by 3M immediately prior to the Distribution;

(o) all of 3M's rights with respect to the following investments: CEMEX/ICON, Inc., Printware, Inc., Software Architects, Inc., Hummer Winblad Equity Partners, L.P., and Hummer Winblad Equity Partners II L.P.;

(p) all trucks, automobiles and other vehicles which are owned by 3M and used principally in the Transferred Businesses;

(q) all of 3M's right relating to all Actions related to or arising out of the Transferred Business (other than with respect to Actions specifically retained by 3M pursuant to this Agreement), including, without limitation, the Action entitled Minnesota Mining & Manufacturing Company v. Appleton Papers, Inc. (U.S.D.C., District of Minnesota; Civil File No. 4-95-786);

(r) the Pilot Plant Assets; and

(s) duty drawbacks relating to the Transferred Businesses which were filed by 3M on or prior to the Distribution Date.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS ANNEX II OR THE AGREEMENT, TRANSFERRED ASSETS SHALL NOT INCLUDE THE FOLLOWING ASSETS AND PROPERTIES (THE "EXCLUDED ASSETS"), WHICH SHALL BE RETAINED BY 3M:

(a) cash and cash equivalents, including cash on hand or in bank accounts, certificates of deposit, commercial paper and other similar securities in the possession of the Transferred Businesses, except (i) petty cash funds in the possession of the Transferred Businesses, (ii) any cash to be contributed to the capital of Imation pursuant to the terms of this Agreement, and (iii) any cash advanced by 3M prior to the Distribution Date to capitalize foreign corporations being formed by Imation to facilitate the Distribution;

(b) any Books and Records which 3M is required by law to retain in its possession;

(c) except as may otherwise be provided in the Tax Sharing Agreement, any right, title or interest of 3M in any Federal, state or local tax refund (including any income with respect thereto) relating to the operations of the Transferred Businesses prior to the Distribution Date;

(d) all machinery and equipment at the 3M facility in New Ulm, Minnesota, other than laboratory test equipment utilized by the Transferred Businesses prior to the Distribution Date;

(e) all machinery, equipment and other items of personal property, including construction in process, which are located at the Pine City, Minnesota facility relating to 3M's Traffic Control Materials and Commercial Office Supply Divisions, the White City, Oregon facility relating to 3M's Electrical Specialties Division, the Middleway, West Virginia facility relating to 3M's Metalmatrix Program, the Vadnais Heights, Minnesota facility relating to 3M's Corporate Metrology Laboratory, the Wahpeton, North Dakota facility relating to 3M's Medical Device Division, OH&ES Division and Professional Video and Audio Products Division, and the Camarillo, California facility relating to 3M's Telecom Systems Division;

(f) all assets located outside the United States which pursuant to Section 2.3 of this Agreement or the agreements contemplated thereby are not to be transferred to Imation or one of its Affiliates; and

(g) all rights with respect to trade receivables relating to the operations of the Transferred Businesses outside the United States which are being retained by 3M or its Affiliates pursuant to the terms of this Agreement.

ANNEX IV ENTERPRISE LIABILITIES

Enterprise Liabilities: all Assumed Liabilities and obligations relating to or arising from the Enterprise Operations, whether before or after the Distribution Date, including but not limited to:

(a) all Liabilities and obligations of 3M pursuant to, under or relating to, but only to the extent that they relate to, all agreements, contracts and leases of 3M relating to the Enterprise Operations;

(b) outstanding Bids, Quotations and Proposals pertaining to the Enterprise Operations to the extent that such Bids, Quotations and Proposals can be transferred or assigned without extinguishment; and all contracts awarded to 3M before or after the Distribution Date pertaining to the Enterprise Operations, as (i) assignee if those contracts are assignable and assigned or transferred by operation of law, or (ii) subcontractor if assignment of those contracts and/or the proceeds therefrom is prohibited by law;

(c) all warranty, performance and similar obligations entered into or made in the course of business of the Enterprise Operations with respect to their products and services;

(d) the Liabilities and obligations to or with respect to Transferred Employees of the Enterprise Operations being assumed by Imation, including but not limited to withholding, payroll and employment taxes pursuant to Article VIII of the Agreement;

(e) the Liabilities and obligations relating to the Enterprise Operations being assumed by or agreed to be performed by Imation Enterprises pursuant to any other agreement being entered into in connection with the Agreement, including, without limitation, the Related Agreements;

(f) the Liabilities and obligations relating to all Actions related to or arising out of the Enterprise Operations, other than those specified as Retained Liabilities;

(g) all Liabilities and obligations under any industrial development bond relating to the facility located in White City, Oregon which is outstanding as of the Distribution Date; and

(h) all Liabilities and obligations under corporate credit cards which had been issued by 3M to Transferred Employees employed by the Enterprise Operations.

ANNEX V ENTERPRISE ASSETS

Enterprise Assets: All Transferred Assets used principally in the Enterprise Operations as of the Distribution Date, including but not

limited to:

(a) the real properties owned by 3M and identified on Exhibit A hereto as being transferred to Imation Enterprises, including buildings, structures and improvements (including construction in progress) located thereon, fixtures contained therein and appurtenances thereto;

(b) all of 3M's right and interest in, to and under all leases for real property relating to the Enterprise Operations, which are identified on Exhibit B hereto as being assigned to Imation Enterprises;

(c) all of 3M's right and interest in, to and under all outstanding Bids, Quotations and Proposals pertaining to the Enterprise Operations, to the extent that such Bids, Quotations and Proposals can be transferred or assigned without extinguishment; all of 3M's right and interest in, to and under all contracts and agreements awarded to 3M before or after the Distribution Date pertaining to the Enterprise Operations, as assignee if those contracts are assignable and assigned or transferred by operation of law; payment of a subcontract price equal to the monies, rights and other considerations received by 3M under contracts and agreements awarded to 3M before or after the Distribution Date pertaining to the Enterprise Operations, if assignment of those contracts and/or agreement and/or the proceeds therefrom is prohibited by law;

(d) all machinery, equipment and other items of tangible personal property (including construction in progress) owned by 3M which are utilized principally in the Enterprise Operations;

(e) all of 3M's rights with respect to domestic trade receivables relating to the Transferred Businesses;

(f) all of the Books and Records relating to the Enterprise Operations (except as otherwise provided in the Intellectual Property Agreement);

(g) inventories of raw materials, work-in-process, finished products, supplies and spare parts which at the Distribution Date are owned by 3M and relate principally to the Enterprise Operations and any property under bailment relating to the Enterprise Operations;

(h) all permits and licenses held by 3M which are transferable and which relate principally to the Enterprise Operations;

(i) all intangible assets, other than intellectual property rights, of 3M used solely in the Enterprise Operations;

(j) employee receivables, temporary and permanent travel advances and funds advanced for travel not yet taken relating to Transferred Employees of the Enterprise Operations and all petty cash funds in the possession of the Enterprise Operations and all prepayments and deposits;

(k) all supplies, forms, labels, shipping material, catalogues, sales brochures, operating manuals, instructional documents and advertising material held for use by the Enterprise Operations;

(l) all trucks, automobiles and other vehicles which are owned by 3M and used principally in the Enterprise Operations; and

(m) the Pilot Plants Assets.

Exhibit A
to ANNEX III and ANNEX V

Owned Properties to be Transferred

United States

Properties of Imation

Camarillo, California
Wahpeton, North Dakota

Tucson, Arizona
Oakdale, Minnesota*

Properties of Imation Enterprises

Weatherford, Oklahoma
Pine City, Minnesota
Rochester, New York
White City, Oregon
Middleway, W. Virginia
Nekoosa, Wisconsin

Outside the United States

Ferrania, Italy
Harlow, England**
Sulmona, Italy
Florida, Argentina
Bracknell, England***
London, Ontario, Canada****

- - - - -

- * Includes Lot 1 and 2, Block 1; and Outlot A, all a part of "Oakdale Farm" Plat, Washington County, Minnesota.
- ** Includes an indirect transfer of facility owned by Minnesota 3M Research Limited.
- *** Includes Building #2 only.
- **** Includes Service Support Centre only.

Exhibit B
to ANNEX III and ANNEX V

Leased Properties to be Transferred

I Manufacturing Facilities in United States

Leased Properties of Imation

Fremont, California (two locations)
Vadnais Heights, Minnesota

Leased Properties of Imation Enterprises

None

II Other Leases

The leases set forth on Schedule 6.14(a) of the Agreement or identified in connection with the various foreign transfer agreements are incorporated herein by reference.

Schedule 1.1A

Transferred Businesses

Imation Business Units:

Data Storage Diskette Technology Division
Data Storage Markets Division
Data Storage Optical Technology Division
Data Storage Tape Technology Division
Medical Imaging Systems Division
Photo Color Systems Division
Printing and Publishing Systems Division

Hardgoods and Electronic Support Department
HESD Field Service and Customer Support
Dry Silver Technology Center
Graphic Research Lab(1)
Aurora Project of HESD
Harlow Laboratory
Storage Laboratory Lab of Advanced Technology Lab
Electronic Imaging Center(1)
European Business Centers corresponding to the
businesses above

Imation Plants:

Camarillo, California
Wahpeton, North Dakota
Weatherford, Oklahoma
Tucson, Arizona
Fremont, California
Pine City, Minnesota
Vadnais Heights, Minnesota
Rochester, New York
White City, Oregon
Middleway, W. Virginia
Nekoosa, Wisconsin
Ferrania, Italy
Sulmona, Italy
Florida, Argentina

- - - - -

(1) Other than as related to certain projects the employees responsible
for which are not Transferred Employees.

Schedule 1.1B

Business Units Excluded from Transferred Businesses

Audio and Video Products Division
HESD Laboratory
HESD Manufacturing-New Ulm
HESD Product Information Center
HESD Incompany Service
National Media Lab
Photogard
Any Part of the Advanced Technology Lab not relating
to Imaging or Memory Technology

Schedule 1.1C

Imation Employees (2)

- - - - -

(2) To be updated by mutual agreement of 3M and Imation.

Schedule 1.1D

Pilot Plant Assets (3)

- -----

(3) To be updated by mutual agreement of 3M and Imation.

Schedule 1.1E

3M Center Assets(4)

- -----

(4) To be updated by mutual agreement of 3M and Imation.

Schedule 1.1F

Human Resources Codes

Schedule 5.1(a)

3M Information in Information Statement

"Summary - Distributing Corporation,"
"Summary - Principal Businesses to be Retained by
3M,"
"Summary - Primary Purpose of the Distribution,"
"Introduction,"
"The Distribution - Reasons for the Distribution,"
"The Distribution - Opinion of Financial Advisor,"
"The Distribution - Manner of Effecting the
Distribution,"
"The Distribution - Certain Federal Income Tax
Consequences," and
"Security Ownership of Certain Beneficial Owners".

Schedule 6.12(a)

Domestic Shared Facilities

3M WILL LEASE SPACE IN IMATION CORP. FACILITIES AT:

Camarillo, CA
Vadnais Heights, MN (Sublease)

3M WILL LEASE SPACE IN IMATION ENTERPRISES FACILITIES AT:

Middleway, WV
Pine City, MN

IMATION CORP. WILL LEASE SPACE IN 3M FACILITIES AT:

3M Center, Buildings 201, 209, 223, 235, 236 and 302 (Currell Blvd.)

IMATION ENTERPRISES WILL LEASE (OR SUBLEASE) SPACE IN 3M FACILITIES AT:

3M Center, Building 42 (Bush Avenue)
Menomonie, WI

1927 Case Avenue
St. Paul, MN

Schedule 6.14(a)

Assigned Third Party Leases

To Imation

Tucson, AZ - 7900 E. Tanque Verde
Tucson, AZ - Rita Rd. (Not a lease, but an agreement
for payment of zoning fee)
Fremont, CA - 2933 Bayview Dr.
Fremont, CA - Bayside Business Park (Pending new lease)

To Imation Enterprises

Pine City, MN - 230 E. Third Ave.
Vadnais Heights, MN - 1185 Wolters Blvd.
Woodbury, MN - 6043 Hudson Road - Suites 105D, 201,
230, 245, 295, 300, 360
Woodbury, MN - 6053 Hudson Road - Suites 199, 210,
255, 265, 275, 295
Woodbury, MN - 6063 Hudson Road
Woodbury, MN - 1687 Century Circle
Rochester, NY - 1545 Mount Read Blvd.
Weatherford, OK - 217 S. Eighth St. (mini-storage)
White City, OR - 675 Antelope Road

To Imation Affiliates -- O.U.S.

As provided in various foreign transfer agreements.

Schedule 6.14(b)

Assigned Properties Leased To Third Parties

Imation

Camarillo, CA - Lease to Michael Brucker
Wahpeton, ND - Lease to Barry Pausch

Imation Enterprises

Woodbury, MN - Sublease to Century Design, 6063
Hudson Road
Weatherford, OK - Oil and Gas lease to Arkansas Louisiana Gas Co.
Weatherford, OK - Lease to James L. Tanner

Weatherford, OK - License to Deer Creek Conservation Dist.
White City, OR - Sublease to Sterling Business Forms
Middleway, WV - Lease to Jesse E. Frye
Middleway, WV - Lease to William S. Friend

Schedule 6.15(a)

Trade Receivables/Payables Settlement Schedule

Schedule 8.11

Foreign Service Employee Obligations

Schedule 9.3

Pre-Distribution Date Insurance Claims(5)

- -----
(5) To be updated to reflect additional claims reported prior to the
Distribution Date.

TAX SHARING AND INDEMNIFICATION AGREEMENT

Tax Sharing and Indemnification Agreement (the "Agreement"), dated as of _____, by and between Minnesota Mining and Manufacturing Company, a Delaware corporation ("3M") and Imation Corp., a Delaware corporation and a wholly owned subsidiary of 3M ("Imation").

WHEREAS, 3M and its domestic subsidiaries currently are members of an Affiliated Group, of which 3M is the common parent corporation;

WHEREAS, 3M has been engaged through various divisions in, among other things, the manufacture and sale of data storage, photo color, medical imaging, printing and publishing, and hardgoods and electronic products which comprise the Transferred Businesses;

WHEREAS, the Board of Directors of 3M has determined that the interests of 3M's businesses and shareholders would be best served by separating its businesses into two separate companies, one consisting of the Transferred Businesses and the other consisting of 3M's core businesses (the "Core Businesses");

WHEREAS, as set forth in the Transfer and Distribution Agreement, dated _____ ("Transfer and Distribution Agreement"), and subject to the terms and conditions thereof, 3M wishes to transfer and assign to Imation substantially all the assets of the Transferred Businesses, in exchange for (i) the assumption by Imation of substantially all the liabilities and obligations relating to the Transferred Businesses, and (ii) the issuance to 3M by Imation of shares of its common stock, par value \$.01 per share (the "Imation Common Stock"), all as more fully set forth in the Transfer and Distribution Agreement;

WHEREAS, 3M intends to distribute all the outstanding shares of Imation Common Stock, on a pro rata basis, to the holders of the common stock of 3M, subject to the terms and conditions of the Transfer and Distribution Agreement;

WHEREAS, in contemplation of the Distribution pursuant to which Imation and its domestic subsidiaries will cease to be members of the 3M affiliated Group, the parties hereto have determined to enter into this Tax Sharing and Indemnification Agreement (the "Agreement"), setting forth their agreement with respect to certain tax matters;

WHEREAS, this Agreement also creates certain indemnification obligations between the parties hereto if the actions of a member of the Imation Group have an adverse effect on the tax-free nature of the Distribution or of any of the transactions related to the Distribution that were otherwise intended to be tax free and consequently the tax liability of a member of the 3M Group.

NOW THEREFORE, in consideration of the premises set forth above and the terms and conditions set forth below, the parties hereto agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following definitions shall apply:

(a) "3M Affiliated Group" shall mean, for each taxable period, the Affiliated Group of which 3M or its successor is the common parent, corporation.

(b) "3M Group" shall mean, for each taxable period, (i) the corporations that comprise the 3M Affiliated Group, and (ii) the corporations that would be members of the 3M Affiliated Group, but for the fact that they are foreign corporations.

(c) "Adjustment" shall mean any proposed or final change in the tax liability of a taxpayer.

(d) "Affiliated Group" shall mean an affiliated group of corporations within the meaning of Code section 1504(a).

(e) "Carryback Item" shall mean any net operating loss, net capital loss, unused general business tax credit, or any other Tax Item of the Imation Group which, under the Code or any other applicable Income Tax law, may be carried back and may generate a Tax Benefit for any member of the 3M Group.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Imation Affiliated Group" shall mean, for each taxable period, the Affiliated Group of which Imation or its successor is the common parent corporation.

(h) "Imation Businesses" shall mean the Transferred Businesses.

(i) "Imation Group" shall mean, for each taxable period, (i) the corporations that are members of the Imation Affiliated Group, and (ii) the corporations that would be members of the Imation Affiliated Group, but for the fact that they are foreign corporations.

(j) "Distribution" shall mean the pro rata distribution of all of the Imation Common Stock to the holders of the common stock of 3M, pursuant to the terms and conditions of the Transfer and Distribution Agreement.

(k) "Domestic Imation Subsidiaries" shall mean the corporations that are members of the Imation Affiliated Group after the Distribution.

(l) "Effective Date" shall mean July 1, 1996.

(m) "Final Determination" shall mean the final resolution of any tax matter. A Final Determination shall result from the first to occur of:

(i) the expiration of 30 days after the IRS' acceptance of a waiver of restrictions on assessment and collection of deficiency in tax and acceptance of overassessment on federal revenue (Form 870 or 870-AD (the "Waiver")) or any successor comparable form, except as to reserved matters specified therein, or the expiration of 30 days after acceptance by any other taxing authority of a comparable agreement or form under the laws of any other jurisdiction, including State, local, and foreign; unless, within such period, the taxpayer gives notice to the other party to this Agreement of the taxpayer's intention to attempt to recover all or part of any amount paid pursuant to the Waiver by the filing of a timely claim for refund;

(ii) a decision, judgment, decree, or other order by a court of competent jurisdiction that is not subject to further judicial review (by appeal or otherwise) and has become final; (iii) the execution of a closing agreement under Code section 7121, or the acceptance by the IRS of an offer in compromise under Code section 7122, or comparable agreements under the laws of any other jurisdiction, including State, local, and foreign, except as to reserved matters specified therein;

(iv) the expiration of the time for filing a claim for refund or for instituting suit in respect of a claim for refund that was disallowed in whole or part by the IRS or any other taxing authority;

(v) the expiration of the applicable statute of limitations; or

(vi) an agreement by the parties hereto that a Final Determination has been made.

(n) "Foreign Imation Subsidiaries" shall mean corporations that are members of the Imation Group other than Domestic Imation Subsidiaries.

(o) "Income Tax Liability" shall mean the net amount of Income Taxes due and paid or payable for any taxable period, determined after applying all tax credits and all applicable carrybacks or carryovers for net operating losses, net capital losses, unused general business tax credits, or any other Tax Items arising from a prior or subsequent taxable period, and all other relevant adjustments, and shall include without limitation the net amount due and paid or payable for alternative minimum tax imposed under Code section 55 or similar alternative or add-on minimum taxes.

(p) "Income Taxes" shall mean all Federal, State, local, and foreign taxes imposed upon, or measured by, net income, including without limitation, environmental and alternative or add-on minimum taxes (including the alternative minimum tax imposed under Code section 55), and such related franchise, excise, and similar taxes as have been customarily included in the

provision for income taxes on 3M's financial statements, together with all related interest, penalties, and additions to tax.

(q) "Indemnifying Party" shall mean any party that is required to pay any other party pursuant to the terms and conditions of this Agreement.

(r) "Indemnified Party" shall mean any party who is entitled to receive payment from an Indemnifying Party pursuant to the terms and conditions of this Agreement.

(s) "IRS" shall mean the United States Internal Revenue Service or any successor thereto, including but not limited to its agents, representatives, and attorneys.

(t) "Other Taxes" shall mean any and all taxes other than Income Taxes, including, without limitation, gross income, gross receipts, sales, use, transfer, franchise, license, withholding, payroll, value added, employment, excise, severance, stamp, occupation, premium, windfall profits, custom, duty, or other charge of any kind whatsoever, together with all related interest, penalties, and additions to tax, or additional amount imposed by any taxing authority. Expressly excluded from "Other Taxes" are all property and ad valorem taxes.

(u) "Tax Benefit" shall mean a reduction in the Income Tax Liability of a taxpayer (or of the Affiliated Group of which it is a member) for any taxable period. Except as otherwise provided in this Agreement, a Tax Benefit shall be deemed to have been realized or received from a Tax Item in a taxable period only if and to the extent that the Income Tax Liability of the taxpayer (or of the Affiliated Group of which it is a member) for such period, after taking into account the effect of the Tax Item on the Income Tax Liability of such taxpayer in all prior periods, is less than it would have been if such Income Tax Liability were determined without regard to such Tax Item.

(v) "Tax Detriment" shall mean an increase in the Income Tax Liability of a taxpayer (or of the Affiliated Group of which it is a member) for any taxable period. Except as otherwise provided in this Agreement, a Tax Detriment shall be deemed to have been realized or suffered from a Tax Item in a taxable period, only if and to the extent that the Income Tax Liability of the taxpayer (or the Affiliated Group of which it is a member) for such period, after taking into account the effect of the Tax Item on the Income Tax Liability of such taxpayer in all prior periods, is greater than it would have been if such Income Tax Liability were determined without regard to such Tax Item.

(w) "Disqualifying Disposition" means the disposition of a share of stock prior to the expiration of the holding period requirements contained in either Section 422(a) or 423(a) of the Code which results in a deduction described in Section 421(b) of the Code.

(x) "Tax Item" shall mean any item of income, gain, loss, deduction, credit, recapture of credit, or any other item which may have the effect of increasing or decreasing Income Taxes paid or payable.

(y) "Tax Returns" shall mean all reports, estimates, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with any Income Taxes or Other Taxes, including information returns or reports with respect to backup withholding and other payments to third parties.

(z) "Transaction Taxes" shall mean all sales, transfer, and other similar taxes or fees (including, without limitation, all real estate, patent, copyright, and trademark transfer taxes and recording fees) incurred in connection with the Distribution and the transactions related to it.

(z-1) "Transferred Businesses" shall have the same meaning as in the Transfer and Distribution Agreement.

As used in this Agreement, the terms "tax" or "taxes" shall as appropriate, include interest, penalties, and additions to tax.

Section 2. Filing of Tax Returns.

(a) 3M shall prepare and file, or cause to be prepared and filed:

(i) all Income and Other Tax Returns (except Other Tax Returns in respect of Transaction Taxes) of or with respect to all members of the 3M Group for all periods ending prior to the Effective Date, and

(ii) all Income and Other Tax Returns (except other Tax Returns in respect of Transaction Taxes), with respect to all members of the 3M Group, other than those corporations that will be Foreign Imation Subsidiaries following the Distribution, for all periods beginning prior to the Effective Date and ending on or after the Effective Date ("Straddle Periods").

(b) Imation shall prepare and file, or cause to be prepared and filed:

(i) all Income and Other Tax Returns (except Other Tax Returns in respect of Transaction Taxes) of or with respect to all corporations that will be Foreign Imation Subsidiaries following the Distribution for all Straddle Periods, and

(ii) all Income and Other Tax Returns of or with respect to members of the Imation Group for all periods beginning on or after the Effective Date.

(c) The Provisions of Section 6.8 of the Transfer and Distribution Agreement shall govern the preparation and filing of all Tax Returns in respect of Transaction Taxes.

Section 3. Payment of Taxes

(a) Income and Other Taxes for Periods Ending Before the Effective Date. 3M shall, except as provided in Section 9(a) of this Agreement):

(i) pay, or cause to be paid, and shall indemnify and hold harmless Imation against all Income Tax Liabilities that relate to all Tax Returns (other than Tax Returns in respect of Transaction Taxes) that 3M is required to prepare and file, or cause to be prepared and filed, pursuant to Section 2 of this Agreement; and

(ii) be entitled to all refunds of taxes related thereto.

(b) Imation Income and Other Taxes. Imation shall:

(i) pay, or cause to be paid, and shall indemnify and hold harmless 3M against all Income Tax Liabilities that relate to all Tax Returns (other than Tax Returns in respect of Transaction Taxes) that Imation is required to prepare and file, or cause to be prepared and filed, pursuant to Section 2 of this Agreement; and

(ii) be entitled to all refunds of taxes related thereto. Notwithstanding anything to the contrary contained in this Agreement, the appropriate member of the 3M Group shall be entitled to use for its benefit any losses of Minnesota 3M Research Limited, a United Kingdom corporation, generated prior to the distribution.

(c) Imation Payroll and Unemployment Compensation Taxes For Periods Ending On or After the Effective Date. 3M shall make available to Imation sufficient data to facilitate a determination of the desirability of the transfer to the Imation Group of any payroll tax experience and/or any favorable unemployment compensation tax experience rating of 3M; and at Imation's election, 3M shall cooperate to effect a transfer of such payroll tax experience and/or any favorable such favorable experience rating to the Imation Group within one hundred and twenty (120) days of Imation's written request therefor.

(d) Carrybacks. Unless 3M otherwise waives in writing, the Imation Group agrees to elect under Code section 172(b)(3) and, to the extent feasible, any similar provision of any State, local, or foreign Income Tax law, to relinquish any Carryback Item.

Section 4. Audits.

(a) 3M shall have sole responsibility for and control over all audits with respect to any Tax Return that it is required to file under Section 2 hereof. Imation shall have sole responsibility and control over all audits with respect to any Tax Return that it is required to file under Section 2 hereof.

Section 5. Transaction and Property Taxes

(a) Each of 3M and Imation shall pay, or cause to be paid, and

indemnify and hold harmless the other against all Transaction Taxes which each of 3M and Imation, respectively, have agreed to pay pursuant to Section 6.8 of the Transfer and Distribution Agreement.

(b) Any property or ad valorem taxes that are due and payable on Transferred Assets as defined in the Transfer and Distribution Agreement after the Effective Date shall be paid by the Imation Group.

Section 6. Taxability and Reporting of Stock Options

(a) Employee Stock Purchase Plan Stock . For purposes of this paragraph, the term "Section 423 Stock" means 3M stock acquired pursuant to either the 1987 or the 1993 General Employees Stock Purchase Plan. For purposes of Section 6(a), 6(b) and 6(c) of this Agreement, the term "Imation Employee" means an employee of Imation or one of its subsidiaries immediately after the Distribution, and the term "3M Employee" means any employee who is not an Imation Employee.

Imation shall notify 3M of any Disqualifying Dispositions of Section 423 Stock by Imation Employees. To the extent permitted by law, 3M shall take all tax deductions arising by reason of any Disqualifying Dispositions of Section 423 Stock by Imation Employees. The appropriate member of the Imation Group shall, to the extent permitted by law, take all tax deductions arising by reason of any Disqualifying Dispositions of Section 423 Stock not taken by 3M. If, pursuant to a Final Determination, all or any part of a tax deduction taken by 3M pursuant to this Section 6(a) is disallowed to 3M, then, to the extent permitted by law, the appropriate member of the Imation Group shall take such deduction. If a member of the Imation Group receives a Tax Benefit in any period as a result of any deduction taken by a member of the Imation Group pursuant to this Section 6(a), Imation shall pay the amount of such Tax Benefit to 3M.

(b) Nonqualified Stock Options. Each of 3M and Imation shall be responsible for making all reports required to be made to any relevant tax authority with respect to any grants or exercises of nonqualified stock options with respect to their respective stocks. To the extent permitted by law, 3M shall take all tax deductions arising by reason of exercises of such nonqualified stock options to purchase shares of 3M stock. The appropriate member of the Imation Group shall, to the extent permitted by law, take all tax deductions arising by reason of exercises of nonqualified stock options to purchase shares of 3M stock not taken by 3M. If, pursuant to a Final Determination, all or any part of a tax deduction taken pursuant to this Section 6(b) is disallowed to 3M, then, to the extent permitted by law, the appropriate member of the Imation Group shall take such deduction. If a member of the Imation Group receives a Tax Benefit in any period as a result of any deduction taken by a member of the Imation Group pursuant to this Section 6(b), Imation shall pay the amount of such Tax Benefit (net of any Tax Detriment suffered by a member of the Imation Group in such taxable period as a result of the exercise of an option to acquire 3M stock by an Imation Employee) to 3M.

(c) Incentive Stock. "3M Incentive Stock" shall mean stock acquired by reason of the exercise of an incentive stock option, as defined in

Section 422(b) of the Code, granted by 3M pursuant to either the 1987 or the 1992 Management Stock Ownership Program. Imation shall notify 3M of any Disqualifying Dispositions of 3M Incentive Stock by Imation Employees. To the extent permitted by law, 3M shall take all tax deductions arising by reason of any Disqualifying Dispositions of 3M incentive stock by Imation Employees,. The appropriate member of the Imation Group shall, to the extent permitted by law, take all tax deductions arising by reason of any Disqualifying Dispositions of 3M Incentive Stock by Imation Employees not taken by 3M. If, pursuant to a Final Determination, all or any part of a tax deduction taken by 3M pursuant to this Section 6(c) is disallowed to 3M, then, to the extent permitted by law, the appropriate member of the Imation group shall take such deduction. If any member of the Imation Group receives a Tax Benefit in any period as a result of any deduction taken by a member of the Imation Group pursuant to this Section 6(c), Imation shall pay the amount of such Tax Benefit (net of any Tax Detriment suffered by a member of the Imation Group in such taxable period as a result of the exercise of an option to acquire 3M stock by an Imation Employee) to 3M.

Section 7. Severance Pay.

(a) Payments made in respect of severance pay shall be deducted by the party that makes the severance payment.

(b) If, pursuant to a Final Determination, all or any part of a tax deduction for severance pay is disallowed to 3M then, to the extent permitted by law the appropriate member of the Imation Group shall claim such deduction. If any member of the Imation Group receives a Tax Benefit in any period as a result of such deduction, Imation shall pay to 3M the amount of such Tax Benefit.

Section 8. Tax Research Credit.

(a) By December 31, 1996, 3M will furnish the Imation Group, pursuant to Section 41 of the Code, the base period information the Imation Group will need to properly compute its tax research credits for years beginning after the Effective Date.

Section 9. Liability of Imation Group for Undertaking Certain Transactions.

(a) Notwithstanding any other provision of this Agreement to the contrary, if, as a result of any event, action, or failure to act wholly or partially within the control of any member of the Imation Group, any Income Taxes are imposed on any member of the 3M Group with respect to any action taken pursuant to the Distribution and the transactions related to the Distribution, including, without limitation, the transactions in various foreign jurisdictions that were intended to be tax free under Sections 355 and 368 of the Code for Income Tax purposes, then Imation shall indemnify and hold harmless each member of the 3M Group with respect to any such Income Taxes on an after-tax basis. Imation shall make such indemnification payment no later than 7 days after receiving written notice from any member of the 3M Group of a Final Determination with respect to such Income Taxes, which notice shall be

accompanied by a computation of the amount due.

(b) Notwithstanding any other provision of this Agreement to the contrary, if, as a result of any event, action, or failure to act any liabilities are incurred by a member of the 3M Group with respect to the Urban Renewal Bonds of Jackson County, Oregon, then Imation shall indemnify and hold harmless each member of the 3M group with respect to said liabilities.

Section 10. Indemnification

(a) Unless otherwise specified in this Agreement, all indemnification and other payments to be made pursuant to this Agreement shall be made within 30 days of written notice of a request for indemnification or payment by the Indemnified Party, which notice shall be accompanied by a computation of the amount due.

(b) If an indemnification or other payment is required to be made under this Agreement only upon the realization by the Indemnifying Party of a Tax Benefit, such payment shall be made no later than 30 days after the earlier of (a) the filing or (b) the due date (including extensions) of the Tax Return with respect to which such Tax Benefit is realized, or, if the Tax Benefit was realized on a Tax Return that was due or filed prior to the time the indemnification or other payment obligation arose, no later than 30 days after such obligation arose. The parties shall cooperate in good faith in enforcing the provisions of this Section 10(b), which cooperation shall include the provision of reasonable access to the Tax Returns of the Indemnifying Party by the Indemnified Party in order to determine the amount of any indemnification or other payment to be made pursuant to this paragraph 10(b).

(c) If an Indemnified Party realizes a Tax Benefit in any period as a result of making the payment with respect to which an indemnification or other payment is required to be made, the Indemnified Party shall pay to the Indemnifying Party the amount of any such Tax Benefit.

(d) If an Indemnifying Party realizes a Tax Benefit in any period as a result of making an Indemnification or other payment to an Indemnified Party, the Indemnifying Party shall pay to the Indemnifying Party the amount of any such Tax Benefit.

(e) If any indemnification payment required to be made pursuant to this agreement is not made when due, such payment shall bear interest at the prevailing federal short-term interest rate as determined under Section 6621 of the Code.

Section 11. Cooperation and Exchange of Information.

(a) Tax Return Information.

(i) Imation shall, and shall cause each appropriate member of the Imation Group to, provide 3M with all information and other assistance reasonably requested by 3M to enable the members of the 3M Group to

prepare and file the Tax Returns required to be filed by them pursuant to this Agreement.

(ii) 3M shall, and shall cause each appropriate member of the 3M Group to, provide Imation with all information and other assistance reasonably requested by Imation to enable the members of the Imation Group to file the Tax Returns required to be filed by them pursuant to this Agreement.

(iii) Within 5 days of filing a Tax Return that affects the liability or the determination of the liability for taxes of any member of the Imation Group by a member of the 3M Group, such member of the 3M Group shall provide Imation with a copy of only that portion of such Tax Return which is relevant to a member of the Imation Group.

(iv) In addition to the foregoing, 3M and Imation agree to fully cooperate with each other in connection with the preparation of all Tax Returns required to be filed by them. Such cooperation shall include making personnel and records available promptly and within 20 days (or such other period as may be reasonable under the circumstances) after a request for such personnel or records is made by the taxing authority or the other party. If any member of the 3M Group or the Imation Group, as the case may be, unreasonably fails to provide any information requested pursuant to this Section, then the requesting party shall have the right to engage an independent certified public accountant of its choice to gather such information. 3M or Imation, as the case may be, agrees to permit any such independent certified public accountant full access to the Tax Return information in the possession of any member of the 3M Group or Imation Group, as the case may be, during reasonable business hours, and to reimburse or pay directly all costs and expenses in connection with the engagement of such independent certified public accountant.

(v) If any member of the 3M Group or the Imation Group, as the case may be, supplies information to a member of the other group in connection with the preparation of any Tax Return and an officer of the requesting party signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then a duly authorized officer of the party supplying such information shall certify, under penalties of perjury, the accuracy and completeness of the information so supplied within 20 days of supplying such information. 3M shall indemnify and hold harmless each member of the Imation Group and its officers and employees, and Imation shall indemnify and hold harmless each member of the 3M Group and its officers and employees, against any cost, fine, penalty, or other expenses of any kind attributable to the negligence of a member of the 3M Group or the Imation Group, as the case may be, in supplying a member of the other group with inaccurate or incomplete information, in connection with the preparation any tax return.

(vi) 3M will notify Imation of any redetermination of the earnings and profits of any of the foreign corporations that are transferred by 3M to Imation following their acquisition by 3M in a transaction intended to qualify under Section 355(a) of the Code.

(b) (i) Whenever 3M or Imation learns of a breach or a violation of any obligation or provision contained in this Agreement, or receives in writing from the IRS or any other taxing authority notice of an Adjustment which may give rise to a payment from the other party under this Agreement, 3M or Imation (as the case may be) shall give notice of the Adjustment to the other party within 10 days of becoming aware of such breach, violation, or receipt, but in no case less than 10 days before 3M or Imation, as the case may be, is required to respond to the IRS or any other taxing authority. Except as otherwise provided in this Agreement, the Indemnifying Party shall have control over all matters with respect to which such party has an indemnification or payment obligation pursuant to this Agreement. The foregoing notwithstanding, the Indemnified Party and its representatives, at the Indemnified Party's expense, shall be entitled to participate in all conferences, meetings, and proceedings with respect thereto and shall be entitled to consult with the Indemnifying Party with respect to all such matters. Notwithstanding the foregoing, if the IRS or any other taxing authority proposes to disallow any of the deductions required to be taken by a member of the Imation Group pursuant to Sections 6 and 7 of this Agreement, Imation shall contest such proposed disallowance, or shall cause such disallowance to be contested, to the extent reasonable.

(ii) 3M may consult with Imation, and Imation agrees to fully cooperate with 3M, in the negotiation, settlement, or litigation of any liability for taxes of any member of the 3M Group regardless of the effect of any such negotiation, settlement, or litigation on the liability for taxes of any member of the Imation Group.

(iii) Imation may consult with 3M, and 3M agrees to fully cooperate with Imation, in the negotiation, settlement, or litigation of any liability for taxes of any member of the Imation Group regardless of the effect of any such negotiation, settlement, or litigation on the liability for taxes of any member of the 3M Group.

(iv) 3M will notify Imation in writing of any adjustments made to the tax basis of the assets of the Transferred Businesses, specifying the nature of the adjustments, such that the Imation Group will be able to reflect the revised basis in its tax books and records for periods beginning on or after the Effective Date.

(c) Except as otherwise provided in this Agreement, if as a result of a Final Determination with respect to any Tax Item (including, without limitation, any Tax Item relating to depreciation or amortization) of one party (the "First Party") that may result in a Tax Detriment to that party in any period and, (i) as a result of such Final Determination, the other party becomes entitled to take a reporting position with respect to the same Tax Item that may result in a Tax benefit to such other party, then such other party shall take such position on an appropriate Tax Return, including an amended Tax Return, or (ii) if the other party has already taken a reporting position consistent with such Final Determination, and if the other party realizes or realized a Tax Benefit in any period as a result of taking or having taken such position, shall

pay to the First Party the amount of such Tax Benefit (net of any Tax Detriment suffered by the other party as a result of taking or having taken such position).

For purposes of this Section, the term party shall refer to any member of the 3M Group and any member of the Imation Group, as the case may be.

Section 12. Retention of Records.

(a) 3M and Imation agree to retain the appropriate records which may affect the determination of the liability for taxes of any member of the 3M Group or the Imation Group, respectively, until such time as there has been a Final Determination with respect to such liability for taxes.

(b) Any party intending to destroy any materials, records, or documents shall provide the other party with 90 days advance notice and the opportunity to copy or take possession of such records and documents.

(c) 3M and Imation will notify each other in writing of any waivers or extensions of the applicable statute of limitations that may affect the period for which any materials, records, or documents must be retained.

Section 13. Resolution of Disputes.

(a) If the parties are, after negotiation in good faith, unable to agree upon the appropriate application of this Agreement, the controversy shall be settled by arbitration in accordance with the rules of the American Arbitration Association.

(b) Upon written notice by any party to the other party that the controversy is to be submitted to arbitration, each party shall appoint an independent arbitrator (who shall be a tax attorney or independent certified public accountant) within 30 days, and two arbitrators so appointed shall appoint a third arbitrator within 30 days after the appointment of the last arbitrator appointed within the initial 30 day period. If any party fails to appoint an arbitrator or the parties agree on a single arbitrator, the controversy shall be determined by a single arbitrator. If the two arbitrators are unable to agree on a third arbitrator within 30 days, any party may apply to the American Arbitration Association to make such appointment, and all parties shall be bound by any appointment so made.

(c) The locale of the arbitration shall be Saint Paul, Minnesota, or any other location mutually agreed on by all parties.

(d) The award of the arbitrators (or arbitrator) shall be final, and judgment upon the award rendered may be entered in any court having jurisdiction.

(e) The expenses of the arbitration procedure shall be borne in equal parts by the parties, unless the arbitration award specifies otherwise.

Section 14. Miscellaneous.

(a) Term of the Agreement. This Agreement shall become effective as of the date of its execution and, except as otherwise expressly provided herein, shall continue in full force and effect indefinitely.

(b) Elections Under Code Section 1552. Nothing in this Agreement is intended to change or otherwise affect any election made by or on behalf of the 3M Affiliated Group with respect to the calculation of earnings and profits under Code section 1552. 3M, as the party who has the most to lose, is authorized to seek any change in the method of calculating earnings and profits as it deems desirable.

(c) Injunctions. The parties acknowledge that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. The parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction, such remedy being in addition to any other remedy to which they may be entitled at law or in equity.

(d) Severability. If any term, provision, covenant, or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants, and restrictions set forth herein shall remain in full force and effect, and shall in no way be affected, impaired, or invalidated. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants, and restrictions without including any of such which may be hereafter declared invalid, void, or unenforceable. In the event that any such term, provision, covenant, or restriction is held to be invalid, void, or unenforceable, the parties hereto shall use their best efforts to find and employ an alternate means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant, or restriction.

(e) Assignment. Except by operation of law or in connection with the sale of all or substantially all the assets of a party hereto, this Agreement shall not be assignable, in whole or in part, directly or indirectly, by any party hereto without the advance written consent of the other party; and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void; provided, however, that the provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns.

(f) Further Assurances. Subject to the provisions hereof, the parties hereto shall make, execute, acknowledge, and deliver such other instruments and documents, and take all such other actions, as may be reasonably required in order to effectuate the purposes of this Agreement and to consummate

the transactions contemplated hereby. Subject to the provisions hereof, each of the parties shall, in connection with entering into this Agreement, performing its obligations hereunder and taking any and all actions relating hereto, comply with all applicable laws, regulations, orders, and decrees, obtain all required consents and approvals and make all required filings with any governmental agency, other regulatory or administrative agency, commission or similar authority, and promptly provide the other parties with all such information as they may reasonably request in order to be able to comply with the provisions of this sentence.

(g) Parties in Interest. Except as herein otherwise specifically provided, nothing in this Agreement expressed or implied is intended to confer any right or benefit upon any person, firm, or corporation other than the parties and their respective successors and permitted assigns.

(h) Waivers, Etc. No failure or delay on the part of the parties in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement nor consent to any departure by the parties therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(i) Setoff. All payments to be made by any party under this Agreement shall be made without setoff, counterclaim, or withholding, all of which are expressly waived.

(j) Change of Law. If, due to any change in applicable law or regulations or their interpretation by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement or any transaction contemplated thereby shall become impracticable or impossible, the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

(k) Confidentiality. Subject to any contrary requirement of law and the right of each party to enforce its rights hereunder in any legal action, each party agrees that it shall keep strictly confidential, and shall cause its employees and agents to keep strictly confidential, any information which it or any of its employees or agents may require pursuant to, or in the course of performing its obligations under, any provision of this Agreement.

(l) Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(m) Counterparts. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto,

and each such executed counterpart shall be, and shall be deemed to be, an original instrument.

(n) Notices. All notices, consents, requests, instructions, approvals, and other communications provided for herein shall be validly given, made, or served, if in writing and delivered personally, by telegram or sent by registered mail, postage prepaid, or by facsimile transmission to

3M at: Minnesota Mining and Manufacturing Company
3M Center
St. Paul, Minnesota 55144-1000

Attn: Chief Financial Officer

FAX: (612) 736-7366

Imation at: Imation Corp.
1 Imation Place
Oakdale, Minnesota 55128

Attn: Chief Financial Officer

Telephone: (612) 704-3200

or to such other address as any party may, from time to time, designate in a written notice given in a like manner. Notice given by telegram shall be deemed delivered when received by the recipient. Notice given by mail as set out above shall be deemed delivered five calendar days after the date the same is mailed. Notice given by facsimile transmission shall be deemed delivered on the day of transmission provided telephone confirmation of receipt is obtained promptly after completion of transmission.

(o) 3M and Imation agree to allocate pre-distribution earnings and profits in accordance with Treasury Regulation Section 1.312-10(a).

(p) Costs and Expenses. Unless otherwise specifically provided herein, each party agrees to pay its own costs and expenses resulting from the fulfillment of its respective obligations hereunder.

(q) Cancellation of Tax Allocation or Tax-Sharing Agreements. On or prior to the Effective Date, 3M shall cancel or cause to be canceled all agreements (other than this Agreement and the Transfer and Distribution Agreement) providing for the allocation or sharing of Income or Other Taxes to which any member of the Imation Group would otherwise be bound following the Distribution.

Section 15. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the domestic substantive laws of the State of Minnesota without regard to any choice or conflict of laws, rules, or provisions that would cause the application of the domestic substantive laws of any other jurisdiction.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed by their respective officers, each of whom is duly authorized, all as of the day and year first above written.

MINNESOTA MINING AND MANUFACTURING COMPANY

By:

Title: Chief Financial Officer

IMATION CORP.

By:

Title: Chief Financial Officer

CORPORATE SERVICES TRANSITION AGREEMENT

THIS AGREEMENT is made and entered into this thirtieth day of June, 1996, (hereinafter referred to as "Effective Date") by and between Minnesota Mining and Manufacturing Company, a Delaware corporation, with its principal place of business at 3M Center, St. Paul, Minnesota 55144-1000 ("3M"), and Imation Corp., a Delaware corporation with its principal place of business at 1 Imation Place, Oakdale, Minnesota 55128 and its U.S. subsidiaries (together referred to as "IMATION"). 3M and IMATION are hereinafter referred to jointly as the "Parties" and individually as "Party".

WITNESSETH:

WHEREAS, 3M and IMATION have entered into a Distribution Agreement dated as of June 30, 1996 (the "Distribution Agreement") pursuant to which 3M is transferring and assigning to IMATION certain businesses and assets in exchange for the assumption by IMATION of certain liabilities and obligations associated with 3M's global data storage and imaging system businesses (the "Transferred Businesses") and the issuance by IMATION to 3M of shares of IMATION common stock on such terms and conditions as are contained therein; and

WHEREAS, the Distribution Agreement provides that 3M and IMATION shall enter into an agreement relating to certain transition services to be provided by 3M to IMATION with respect to the Transferred Businesses after the Distribution Date and this Agreement is entered into in order to fulfill that provision.

NOW, THEREFORE, in consideration of the mutual and reciprocal agreements and promises hereinafter set forth and for other good and valuable consideration, the Parties agree as follows:

ARTICLE I SERVICES

1.01 Provision of Services. Subject to the terms and conditions of this Agreement, 3M agrees to sell to IMATION and IMATION agrees to purchase from 3M those services described in Exhibit A attached hereto and those miscellaneous services described in Section 1.02 (collectively referred to herein as "Services").

1.02 Miscellaneous Services. From time to time, IMATION may find it desirable to request, in addition to the Services, additional services to be made available to IMATION by 3M (hereinafter referred to as "Other Services"). It is understood and agreed, however, that 3M is under no obligation to provide Other Services, nor has 3M made any promises, representations, or commitments to provide IMATION with any such Other Services. Upon IMATION's written request for such Other

Services, the Parties shall commence negotiations in good faith in order to arrange for the delivery thereof and compensation therefor. Any such Other Services shall only become effective upon execution of an Amendment to Exhibit A signed by an officer of each party.

1.03 Nature, Volume and Scope of Services. 3M will provide services which are similar in nature, volume and scope to those which 3M provided to the Transferred Businesses immediately prior to the Effective Date or which 3M provides during the term of this Agreement to its own internal organization; provided, however, that it is contemplated that certain activities necessary to transition the Services to IMATION will be provided by 3M during the terms of the Services described in Exhibit A. During the term of this Agreement, Service upgrades and improvements (including but not limited to improvements to systems, equipment, technology or methods) which 3M provides to its own internal organization will be made available to IMATION to the extent practicable and legally permissible subject to any restrictions in the Intellectual Property Rights Agreement between the Parties. The costs for Service upgrades and improvements (including but not limited to improvements to systems, equipment, technology or methods) which 3M must develop or otherwise acquire solely for the reason of providing a Service to IMATION and which IMATION agrees are necessary or desirable for providing a Service to IMATION shall be paid for at actual cost by IMATION. 3M will provide reasonable notice to IMATION of the need for such upgrades or improvements and obtain agreement from IMATION. Payment for such Service upgrades or improvements will be made by IMATION prior to the service being performed. IMATION shall own any equipment purchased by IMATION to allow 3M to perform the Service.

1.04 Subcontracting of Services. IMATION understands that prior to the date of this Agreement 3M may have subcontracted for services in connection with all or any portion of the Services to be provided hereunder. 3M reserves the right to continue to subcontract with third parties for Services or enter into new subcontract relationships for any Service described in Exhibit A provided, however, that any such subcontracting relationship or services shall not relieve 3M of any obligation to provide Services hereunder. Such consultants, associated firms, testing laboratories and other subcontractors used in connection with Services provided under this Agreement will be charged to IMATION at actual cost without markup.

1.05 Excluded Services. Unless otherwise agreed by the Parties in Exhibit A or other writing, it is understood and agreed that 3M shall not provide legal, aviation, or any other services not specifically provided for in this Agreement.

1.06 IMATION Acknowledgment and Representation. IMATION understands that the Services provided hereunder are transitional in nature and are furnished by 3M solely for the purpose of accommodating the transfer of the Transferred Businesses from 3M to IMATION. IMATION understands that 3M is not in the business of providing Services to third parties and has no long term interest in continuing this Agreement. IMATION agrees to make a transition to its own internal organization or other third party suppliers for the majority of Services.

ARTICLE II
TERM AND RENEWAL

2.01 Term of Agreement. The term of this Agreement shall commence on July 1, 1996 and shall expire on July 1, 1998, unless terminated by the Parties as provided herein.

2.02 Term of Services and Renewal of Services. The term of each Service identified in Exhibit A shall commence on July 1, 1996 and expire on January 1, 1997 unless specifically provided for otherwise on Exhibit A. The Parties may, upon mutual written agreement, extend the term of any or all of the Services for additional, successive six (6) month terms. Unless specifically provided for otherwise in Exhibit A, in the event IMATION desires to renew any Service, IMATION shall provide 3M with written notice ("Notice of Service Renewal") ninety (90) days in advance of the expiration of the Service term, or any renewal term. The Notice of Service Renewal shall specify which Service(s) IMATION is interested in renewing, with a description of any requested changes to Exhibit A. 3M shall respond in writing to IMATION within fifteen (15) days, and indicate what Service(s), if any, 3M will agree to provide and under what terms and conditions. Upon mutual agreement of the Parties, Exhibit A of this Agreement shall be amended in writing to effect such renewal of services.

ARTICLE III
COMPENSATION

3.01 Compensation. IMATION shall pay 3M compensation for Services based on the fees set forth in Exhibit A for each Service, or any amendments to Exhibit A. If no fee is specified for a particular Service, the cost of such Service to IMATION shall be based on the total cost to 3M of providing such Service. "Total cost" shall be defined as direct and/or indirect costs incurred by 3M as a result of supplying Services to IMATION and shall be calculated as follows: (depending on which of the following calculations is most readily determinable for the Service provided): i) usage by IMATION; ii) 3M allocations based upon 3M's standard accounting practices; or iii) 3M management estimates of Services provided to IMATION. Notwithstanding anything to the contrary contained in Exhibit A, however, it is understood and agreed that Services provided subsequent to July 1, 1997 shall be billed by 3M and paid for by IMATION at an amount not less than total cost plus eight percent (8%).

Unless otherwise provided in Exhibit A, the following additional and incidental expenses are included in the charges included in Exhibit A:

(i) For expenses of 3M's employees traveling away from home and overnight on behalf of IMATION, the actual costs of transportation, meals and lodging. (Airfare is to be the most economical rate available, but never more costly than regular carrier coach rate.

(ii) For long distance telephone calls, facsimile, and telegrams placed in

connection with Services provided under this Agreement, the actual cost.

(iii) For printing, reproduction and postage charges incurred in connection with Services provided under this Agreement, the actual cost.

(iv) For computer time incurred directly in connection with Services provided under this Agreement, the actual cost.

(v) For supplies, service parts and other materials purchased to perform Services under this Agreement, the actual cost.

(vi) For automobile mileage charges incurred in connection with Services provided under this Agreement, the rate of Twenty-eight and one-half cents (\$.285) per mile.

(vii) For equipment leased from third parties in connection with Services provided under this Agreement, the actual cost.

3.02 Billing and Payment Terms. As long as 3M continues to share its current financial system with IMATION, services performed under this Agreement will be billed to IMATION by 3M charging the net amount due to the appropriate IMATION commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. IMATION will pay 3M the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, or in the case of Services for which payments will not be electronically billed, amounts due under this Agreement will be billed and paid for in the following manner: Statements will be rendered to IMATION on a monthly basis for all Services delivered during the preceding month, and each such statement shall be payable within thirty (30) days after the date of the statement. Statements not paid within such thirty (30) day period shall accumulate interest at the annual rate of ten percent (10%). In order to accommodate billing procedural issues that may occur in the system during the first three months, payments within the first three months will be made no later than 60 days after the date of the statement.

ARTICLE IV INTERRUPTION OF SERVICES

3M will endeavor to provide uninterrupted Services through the term of this Agreement. In the event, however, 3M or its suppliers are wholly or partially prevented from providing a Service or Services or if Services are interrupted or suspended, in either case by reason of any Force Majeure event set forth in Section 14.01, or 3M shall deem it necessary to suspend delivery of a Service hereunder for purposes of inspection, maintenance, repair, or replacement of equipment parts or structures, 3M shall not be obligated to deliver such Service during such periods, provided that 3M has given, when feasible, reasonable written notice of the interruption within a reasonable period of time, explaining the reason, purpose and likely duration therefor, and provided further, that with respect to 3M scheduled interruptions or maintenance, 3M shall have provided, when feasible, reasonable advance notice thereof. If such

interruption of Services has a significant negative impact on IMATION's business operation and 3M cannot readily reinstate the Service involved, 3M will use reasonable efforts to assist IMATION in securing alternative services to minimize such negative impact on IMATION.

ARTICLE V
PERSONNEL

5.01 Supervision and Compensation. 3M shall select, employ, pay, supervise, direct and discharge all 3M personnel providing Services hereunder. 3M shall be solely responsible for the payment of all fringe benefits and any other direct and indirect compensation for 3M personnel assigned to perform services under this Agreement, as well as be responsible for their worker's compensation insurance, employment taxes, and other employer liabilities relating to such personnel as required by law to be provided.

5.02 Staffing of Personnel. 3M shall be solely responsible for assigning personnel to perform the Services, which personnel will be instructed by 3M to perform the Services in a timely, efficient and workmanlike manner. IMATION shall have the right to request that personnel not performing Services properly and in accordance with reasonable technical or general work standards be replaced by 3M with competent and suitable personnel.

5.03 Standard of Care. Notwithstanding anything to the contrary contained in this Agreement, it is understood and agreed that 3M is not in the business of providing Services to third parties and that the standard of care to which 3M and any 3M employees or agents performing Services hereunder shall be accountable for shall be the standard of care used by 3M in furnishing these Services to its own internal organization, and under no circumstances shall 3M or its employees or agents be held accountable for a greater standard of care or one that is appropriate for a party in the business of furnishing similar services.

ARTICLE VI
INGRESS AND EGRESS

3M shall at all times during the term of this Agreement have the right of ingress to and egress from the facilities and premises of IMATION for any purposes connected with the delivery of Services hereunder or the exercise of any right under this Agreement or the performance of any obligations required by this Agreement, subject to reasonable safety and security policies and practices implemented by IMATION.

ARTICLE VII
CONFIDENTIALITY

7.01 Confidential Information. As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

A. "3M Confidential Information" means information known by IMATION on the Effective Date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the Effective Date under the terms and for purposes of this Agreement except for:

(i) information learned by IMATION for the first time after the Effective Date of this Agreement, but prior to any disclosure by 3M;

(ii) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability.

(iii) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Effective Date and/or disclosed by 3M under this Agreement;

(v) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or retained by IMATION under this Agreement or the Intellectual Property Rights Agreement;

(vi) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business remaining with 3M on the Effective Date; and

(vii) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

B. "IMATION Confidential Information" means information known by 3M on the Effective Date and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(i) information learned by 3M for the first time subsequent to the Effective Date of this Agreement, but prior to any disclosure by IMATION;

(ii) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(iii) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by 3M independent of any confidential IMATION information which is known by 3M on the Effective Date and/or disclosed by IMATION thereafter;

(v) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under the Intellectual Property Rights Agreement;

(vi) information which is developed by a business which remains with 3M on the Effective Date and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business being transferred to IMATION on the Effective Date; and

(vii) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

C. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the Parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the Effective Date shall be considered to be the Effective Date.

D. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The

foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.

E. Each Party shall protect Confidential Information hereunder by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other Party's Confidential Information as the Party uses to protect its own confidential information of a like nature.

F. Each Party shall insure that its Affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the Party in advance of the disclosure of Confidential Information to them.

G. The Parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

ARTICLE VIII
OWNERSHIP OF TANGIBLE PROPERTY
AND INTELLECTUAL PROPERTY

8.01 The title to any tangible property, including but not limited to materials, goods, equipment, apparatus, documents and works of authorship (e.g. drawings, manuscripts, artwork, photographs, negatives, motion pictures, video programs, computer software, sound recordings, and similar works) provided to 3M by IMATION or produced by 3M in carrying out any Services hereunder shall be vested in IMATION. 3M agrees to return or deliver such tangible property to IMATION within thirty (30) days after request by IMATION.

8.02 Ownership and rights in any intellectual property (whether patentable or not) conceived during the course of work under this Agreement up to and including June 30, 1998, will be governed by the Intellectual Property Rights Agreement. For purposes of such Agreement, information conceived hereunder shall be deemed to be IMATION, 3M or Joint "Foreground IP" and/or "Foreground Patents" and/or "New Material" as the case may be, depending on the party or parties that conceived same (even if such intellectual property does not result from, or is not based upon, technical Background PI and/or Assigned PI and/or 3M Licensed Works as defined in the Intellectual Property Rights Agreement). Furthermore, for purpose of the Intellectual Property Rights Agreement, ownership and rights in any intellectual property conceived during the period July 1, 1997, up to and including June 30, 1998, shall be treated the same as if conceived between July 1, 1996, up to and including June 30, 1997. If any services are to be provided under this Agreement after June 30, 1998, the parties agree to negotiate mutually acceptable provisions by June 30, 1998, regarding ownership and rights

in any intellectual property conceived during the course of work under this Agreement after June 30, 1998.

ARTICLE IX
DISCLAIMER AND LIMITATION OF LIABILITY

9.01 Disclaimer of Warranties/ Limitation of Direct Damages. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, 3M MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES TO BE PROVIDED UNDER THIS AGREEMENT. In the event of any performance or non-performance under this Agreement which results in direct damages to IMATION, 3M's maximum, cumulative and sole liability to IMATION for such direct damages shall be an amount up to the fee paid by IMATION to 3M (as of the date of the performance or non-performance giving rise to the damage) during the term for the specific Service set forth in Section 2.02 which resulted in direct damages to IMATION. IMATION acknowledges that such payment constitutes fair and reasonable compensation for any direct damages. Notice of any claim for direct damages must be made within two years of the date of termination or expiration of the Service which gave rise to the claim and such claim must specify the damage amount claimed and a description of the action and the service giving rise to the claim.

9.02 Limitation of Consequential Damages. EXCEPT AS PROVIDED IN ARTICLE X, NEITHER PARTY SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS OR REVENUE) RESULTING OR ARISING FROM THIS AGREEMENT, ANY PERFORMANCE OR NONPERFORMANCE UNDER THIS AGREEMENT OR TERMINATION OF THIS AGREEMENT. THIS LIMITATION APPLIES REGARDLESS OF WHETHER THE DAMAGES OR OTHER RELIEF ARE SOUGHT BASED ON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN TORT, OR ANY OTHER LEGAL OR EQUITABLE THEORY.

ARTICLE X
INDEMNIFICATION

10.01 IMATION agrees to indemnify, defend and hold harmless 3M, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the Services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which 3M may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnities stated in Section 10.01 and 10.02 should be construed and applied in favor of indemnification. The parties agree that the indemnities will not apply to claims between the parties arising out of or connected to this Agreement.

10.02 IMATION shall reimburse 3M and indemnify, defend and hold harmless 3M, its directors, officers, employees, agents, and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages, and liabilities (including but not limited to attorneys fees and expenses of litigation), arising from or related to any IMATION act or omission connected

with the provision of any Service by 3M in the performance of this Agreement or caused by any IMATION product, information, or waste provided to 3M in connection with the Services being provided by 3M.

10.03 If 3M intends to claim indemnification under Section 10.01 or 10.02, 3M will promptly notify IMATION in writing of any claim, action, or demand for which 3M intends to claim indemnification. In addition, 3M will promptly notify IMATION in writing if 3M elects to waive its right to have IMATION defend the claim, action, or demand. If 3M does not waive its right to have IMATION defend the claim, action, or demand, 3M agrees that IMATION will control the defense of the claim, action, or demand. 3M will cooperate fully with IMATION and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. 3M will permit IMATION to settle any claim, action, or demand and agrees that IMATION will control the settlement, provided, however that such settlement does not adversely affect 3M's rights under this Agreement or impose any obligations on 3M in addition to those stated in this Agreement. IMATION, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to 3M of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by 3M without the prior written consent of IMATION.

ARTICLE XI RECORDS AND INSPECTION RIGHTS

11.01 Records. 3M agrees to maintain accurate records arising from or related to any Service(s) provided hereunder, including but not limited to accounting records and documentation produced in connection with the rendering of any Service(s).

11.02 Right to Audit. 3M grants IMATION the right to have 3M's cost records audited by an independent certified public accountant selected by IMATION and approved by 3M. The independent certified public accountant will agree to treat this information as confidential and will only disclose to IMATION whether or not the costs 3M communicated to IMATION were accurate. IMATION may request an audit no more than twice each year per Service and is responsible for all costs of the auditor. If the accountant determines that the costs were inaccurate, then the cost will be adjusted accordingly.

ARTICLE XII TERMINATION

12.01 Termination by Either Party. This Agreement, or any Service provided hereunder, may be terminated by either Party upon written notice to the other Party if:

A. The other Party fails to perform or otherwise breaches an obligation under this Agreement provided, however, that such Party failing to perform or

otherwise breaching shall have thirty (30) days from the date notice of intention to terminate is received to cure the failure to perform or breach of an obligation, at which time this Agreement or Service shall terminate if the failure or breach has not been cured; or

B. The other Party makes a general assignment for the benefit of creditors, becomes insolvent, a receiver is appointed, or a court approves reorganization or arrangement proceedings; or

C. Performance of this Agreement or any Service to be provided hereunder has been rendered impossible for a period of three (3) consecutive months by reason of the occurrence of any of the events described in Section 14.01 or if any other event occurs which can be reasonably determined to permanently prevent the performance of this Agreement or any Service; or

D. During any-agreed upon renewal term, the other Party so desires at any time, upon ninety (90) days advance written notice of intention to terminate, except with respect to those Services identified in Exhibit A which specifically require either a shorter or longer period of notice, in which case the notice period shall be as set forth in Exhibit A with respect to such Service.

12.02 Termination Notices. Any termination notice delivered by either Party shall specify in detail the Service or Services to be terminated and the effective date of termination.

12.03 Consequences of Termination. In the event this Agreement or any Service is terminated for any reason:

A. Upon request, each Party shall return to the other Party all tangible personal property owned by the other Party in their possession as of the termination date;

B. IMATION will be responsible to 3M for reasonable and proper termination charges which will include all reasonable cancellation costs incurred by 3M or costs for materials and equipment reasonably acquired in connection with the provision of such Service if this Agreement or any Service described in Exhibit A is terminated by IMATION without cause or by 3M with cause. Invoices for such charges shall be prepared in reasonable detail by 3M and payment shall be due thirty (30) days from the date thereof.

C. IMATION shall remain liable for payment to 3M for Services furnished prior to the effective date of termination.

12.04 Services Provided After Termination/Expiration. Any service(s) furnished by 3M and received by IMATION after the termination or expiration of this Agreement or any individual Service shall be governed by the provisions of this Agreement. The furnishing or receipt of any post-termination or post-expiration services shall not otherwise extend the term of this Agreement, or any individual Service.

ARTICLE XIII
DISPUTE RESOLUTION

13.01 Mediation and Binding Arbitration. If a dispute arises between 3M and IMATION as to the interpretation or alleged breach of this Agreement or Exhibit A, 3M and IMATION agree to use the following procedures, in lieu of either Party pursuing other available remedies and as the sole remedy, to resolve the dispute.

13.02 Initiation. A Party seeking to initiate the procedures shall give written notice to the other Party, describing briefly the nature of the dispute. A meeting shall be held between the Parties within 10 days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

13.03 Submission to Mediation. If, at the conclusion of such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

13.04 Selection of Mediator. The Parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment with 20 days from the conclusion of the negotiation period.

13.05 Mediation And Arbitration. The Parties agree to participate in good faith in the mediation and negotiations related thereto for a period of 30 days or such longer period as they may mutually agree following the initial mediation session. If the Parties are not successful in resolving the dispute through mediation by the end of such period, then the Parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator, selected in accordance with the provisions of Section 13.06 hereof. The arbitration proceeding shall be held in Minnesota, shall be governed by the Federal Arbitration Act, 9 U.S.C. SS 1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

13.06 Selection of Arbitrator. The Parties shall have 10 days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the Parties to act as arbitrator. If no arbitrator has been selected within such time, the Parties agree jointly to request the Center for Public Resources or another mutually agreed-upon organization to supply within 10 days a list of potential arbitrators with qualifications as specified by the Parties in the joint request. Within five days of receipt of the list, the Parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the

arbitrator the individual receiving the highest combined ranking who is available to serve.

13.07 Cost of Arbitration. The costs of arbitration shall be apportioned between 3M and IMATION as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

13.08 Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one Party to the other Party identifying a dispute subject to arbitration under this Article and requesting arbitration after having participated in negotiation and mediation under this Article.

13.09 Treatment of Negotiations and Mediation. All negotiations and mediations pursuant to this Article shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

13.10 Confidentiality. All negotiation, mediation and arbitration proceedings under this Article shall be treated as Confidential Information in accordance with the provisions of Section 7.01. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions at least as restrictive as those contained in Section 7.01.

13.11 Equitable Relief. Nothing herein shall preclude either Party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other Party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either Party may seek specific enforcement of any arbitrator's decision under this Section. The other Party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

ARTICLE XIV MISCELLANEOUS

14.01 Force Majeure. Neither Party shall be responsible for the delay in the performance of any obligation hereunder due to labor disturbances, accidents, fires, floods, wars, riots, rebellions, blockages, acts of governments, governmental requirements and regulations, restrictions imposed by law or any other similar conditions, beyond the reasonable control and without the fault or negligence of such Party, and the time for performance by such Party shall be extended by the period of such delay. Notwithstanding the foregoing, in no event shall IMATION be relieved of its payment obligations to 3M for Services delivered, regardless of cause.

14.02 Assignment. Except as set forth in Section 1.04, this Agreement may not be assigned in whole or in part by either Party without the prior written consent of the other Party. Any assignment, delegation or transfer of this Agreement or

any interest therein without written consent of the other Party is void and cause for termination of this Agreement. Nothing in this Agreement shall be construed to grant any person or entity not a party hereto any rights or powers whatsoever, and no person or entity shall be a third party beneficiary of this Agreement. If IMATION sells or otherwise transfers part of its business that is receiving services from 3M hereunder, 3M agrees to cooperate with IMATION and the purchaser of that part of IMATION's business to transition the services provided to that part of IMATION's business to the purchaser or another entity designated by such purchaser so as to minimize disruption to part of the IMATION business sold or transferred. Nothing in this section affects the ability of either party to terminate this Agreement or any Service in accordance with the provisions of this Agreement or Exhibit A.

14.03 Relationship of the Parties. Neither Party is an agent of the other Party and neither Party has any authority to bind the other Party, transact any business in the other Party's name or on its behalf, or make any promises or representations on behalf of the other Party unless provided for in Exhibit A or agreed to in writing. Each Party will perform all of its respective obligations under this Agreement as an independent contractor, and no joint venture, partnership or other relationship shall be created or implied by this Agreement.

14.04 Governing Law. Any questions, claims, disputes or litigation arising from or related to the making, performance and termination of this Agreement shall be governed by the laws of Minnesota without regard to the principles of conflicts of law.

14.05 Entire Agreement. This Agreement and the Exhibits referred to in this Agreement, which Exhibits are incorporated and made a part of this Agreement by reference, constitute the entire agreement between 3M and IMATION relating to services to be provided by 3M to IMATION and, with the exception of the Distribution Agreement and any related Agreements, there are no further agreements or understandings, written or oral, between the Parties with respect thereto.

14.06 Notices. Any notices, request, demands or other communications required by or made under this Agreement shall be in writing and shall be deemed to have been duly given i) on the date of service if served personally on the Party to whom notice is to be given, ii) on the day of transmission if sent via facsimile transmission to the facsimile number given below, and telephonic confirmation of receipt is obtained promptly after completion of transmission, iii) on the day after delivery to Federal Express or similar overnight courier or the Express Mail service maintained by the U.S. Postal Service or iv) on the fifth day after mailing, if mailed to the Party to whom notice is to be given, by first class mail, registered or certified, postage prepaid and properly addressed, to the Party as follows:

If to 3M: To the person designated on Exhibit A as the 3M contact for a specific Service or to:

John Ursu
Vice President Legal Affairs

3M Company
Bldg. 220-14W-07
P. O. Box 33428
St. Paul, Minnesota 55133-3428

If to IMATION: To the person designated on Exhibit A as the Imation contact for a specific Service or to:

Carolyn Bates
General Counsel
Imation Legal Department
P.O. Box 64898
St. Paul, Minnesota 55164-0898

14.07 Paragraph Headings. The title and headings of various paragraphs of this Agreement are inserted for convenience of reference only and shall not be used in the construction or interpretation of any provisions of this Agreement.

14.08 Conflicting Provisions. In the event any provision of Exhibit A conflicts with the provisions of this Agreement, the provisions of this Agreement shall be controlling.

14.09 Survival of Provisions. The representations, warranties and covenants contained herein shall survive the termination or expiration of this Agreement to the full extent necessary to protect the Party in whose favor they run.

14.10 Waiver and Modification. No part of this Agreement or any of the Exhibits may be amended, modified, supplemented or waived in any manner whatsoever (including course of dealing or of performance) except by a written instrument signed by authorized officers of the Parties. Any failure or delay by either party in exercising any right or remedy in one or many instances will not prohibit a Party from exercising it at a later time or from exercising any other right or remedy.

ACCEPTED AND AGREED TO:
IMATION CORP.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

Corporate Services Transition Agreement

Exhibit A
Listing and Description of Services

Exhibit A-1 Accounting/Finance (Disbursement Services, Accounts Receivable, Customer Invoicing, Employee Accounting and Control, Corporate

Auditing, Tax, Controllers)

Exhibit A-2 Office Administration (Central Supply, General Receiving, Mail Services, Travel Analysis, Forms Management Services, Records Management Services, Promotional Services, International Office Supplies)

Exhibit A-3 Legal Affairs Support Service (Patent Illustration, Litigation Support)

Exhibit A-4 Employee Benefits and Human Resources (Employee Administrative Services, Benefits, Organizational Learning Services, Employee Services, Community Affairs, and Human Relations)

Exhibit A-5 Engineering (Engineering, Corporate Quality and Manufacturing Services)

Exhibit A-6 Environmental

Exhibit A-7 Corporate Incinerator

Exhibit A-8 Corporate Product Responsibility

Exhibit A-9 Logistics (Export/Import Services, Distribution, Customer Services, Customer Service Administration, Customer Service Systems and Process Department, Office Technology Department, Distribution Operation, Planning and Analysis, Post Sales Support Department, Logistics Business Services, Transportation Services, and Product Information Center)

Exhibit A-10 Government Contracts

Exhibit A-11 Health (Toxicology, Industrial Hygiene, Health Physics, and Occupational Medicine)

Exhibit A-12 Information Technology

Exhibit A-13 Insurance

Exhibit A-14 Library/Information Services

Exhibit A-15 Marketing and Public Affairs (Stemwinder, Corporate Marketing)

Exhibit A-16 Package Engineering

Exhibit A-17 Purchasing

Exhibit A-18 Safety

Exhibit A-19 Corporate Research Laboratories

Exhibit A-20 International Regulatory Services

ENVIRONMENTAL MATTERS AGREEMENT

ENVIRONMENTAL MATTERS AGREEMENT ("Agreement"), dated as of July 1, 1996, by and between Minnesota Mining and Manufacturing Company, a Delaware corporation ("3M"), and Imation Corp., a Delaware corporation ("Imation") and a wholly owned subsidiary of 3M.

WHEREAS, 3M and Imation have entered into a Transfer and Distribution Agreement (the "Distribution Agreement"), whereby 3M has transferred and assigned to Imation and its Affiliates substantially all of the assets and properties related to the "Transferred Businesses" (as such term is defined in the Distribution Agreement), and in connection therewith, Imation (on behalf of itself and its Affiliates) has assumed certain Assumed Liabilities (as such term is defined in the Distribution Agreement), including the Assumed Environmental Liabilities (as defined in Section 1.4 hereof);

WHEREAS, 3M and Imation have determined to set forth their respective rights and obligations with respect to the Assumed Environmental Liabilities, Future Environmental Liabilities (as defined in Section 1.10 hereof), Retained Environmental Liabilities (as defined in Section 1.22 hereof), and related matters;

WHEREAS, it is the intent of 3M and Imation that Imation and its Affiliates assume all of the environmental liabilities that arise from or are connected with the activities and operations of the Transferred Businesses, except for certain specific matters described herein;

WHEREAS, it is the intent of 3M and Imation that 3M shall be solely responsible for the environmental liabilities arising from the operations of 3M on and after the Distribution Date, and that Imation shall be solely responsible for the environmental liabilities arising from the operations of Imation on and after the Distribution Date;

WHEREAS, it is the intent of 3M and Imation that the allocation of liabilities related to the registration and regulation of the use and sale of products in commerce be addressed in the Distribution Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Distribution Agreement and the Related Agreements (as such term is defined in the Distribution Agreement), 3M and Imation covenant and agree as follows:

ARTICLE I

DEFINITIONS

1.1 3M Entity: Any foreign or domestic predecessor, subsidiary, division, joint venture, partnership or associated company of or including 3M, whether or not sold, terminated, liquidated, closed or dissolved on or prior to the Distribution Date (as defined in the Distribution Agreement), and any other person or entity with respect to which 3M may have retained Liability under contract or law.

1.2 Action: Shall have the meaning given such term in the Distribution Agreement.

1.3 Affiliate: Shall have the meaning given such term in the Distribution Agreement.

1.4 Assumed Environmental Liabilities: (a) Except as provided in subsection (b) herein, all Liabilities of 3M and any 3M Entity under or related to Environmental Laws, arising as a result of or in connection with activities or operations of 3M or any 3M Entity prior to the Distribution Date with respect to the Transferred Businesses, whether or not an Action or Remediation has commenced prior to such date with respect to such activities or operations, including, but not limited to: (1) any Remediation or Action at any of the Imation Facilities; (2) Remediation or Actions at Disposal Sites, including, but not limited to, Co-Disposal Sites, to the extent that 3M's or any 3M Entity's Liability for such matters arises from or is connected with the activities and operations at or from the Transferred Assets (as such term is defined in the Distribution Agreement), but only if such Actions or Remediations have not been identified on Schedule 1.4(b)(2) as of the Distribution Date; or (3) Remediation or Actions at any Contract Manufacturing Facility to the extent that 3M's or any 3M Entity's relationship to such facility relates to or arises from the Transferred Businesses.

(b) Notwithstanding the above, the following are not Assumed Environmental Liabilities:

(1) Remediation or Actions at Former Facilities, including, but not limited to, matters listed on Schedule 1.4(b)(1) to this Agreement;

(2) Remediation or Actions at any Disposal Site that: (i) is identified on Schedule 1.4(b)(2) to this Agreement; or (ii) has not been identified on a schedule to this Agreement as of the Distribution Date, but only to the extent that 3M's or any 3M Entity's Liability for such matter arises from or is connected with the activities and operations of Former Facilities or the Non-Transferred Businesses;

(3) Remediation or Actions at any Contract Manufacturing Facility to the extent that 3M's or any 3M Entity's relationship to such facility relates to or arises from the Non-Transferred Businesses; and

(4) Remediation or Actions at any facility currently or formerly owned or operated by a Non-Transferred Business, to the extent such Remediation or Actions arise from activities or operations by 3M or any 3M Entity prior to the Distribution Date.

1.5 Co-Disposal Site: Any Disposal Site where 3M's or any 3M Entity's Liability arises from, relates to, or is connected with the activities or operations, prior to the Distribution Date, of both (a) the Transferred Assets and (b) any other current or former facility owned, operated, or leased by 3M or any 3M Entity, including Former Facilities.

1.6 Contract Manufacturing Facility: Any facility or plant, owned or operated by a person or an entity neither directly nor indirectly owned by 3M or a 3M Entity, that engaged in contract manufacturing for 3M or a 3M Entity prior to the Distribution Date.

1.7 Disposal Site: Any location other than an Imation Facility, a facility owned or operated by the Non-Transferred Businesses, a Former Facility, or a Contract Manufacturing Facility, at or to which 3M or any 3M Entity treated, stored, disposed of or released materials, or arranged for the treatment, storage, disposal or release of materials, prior to the Distribution Date.

1.8 Environmental Laws: All applicable federal, state, local, common law and foreign laws, regulations, rules and duties, from time to time in effect, relating to pollution or protection of the environment or human health, including, without limitation, the discharge or release of materials (including, without limitation, noise, radiation and genetic and pathogenic substances) into the environment, including all provisions thereof relating to Remediation, compensation, restitution, penalties or damages of any kind; provided, that for purposes of this Agreement, the term "Environmental Laws" does not include any laws, rules, or regulations relating to the registration or regulation of the sale or use of products in commerce, including, but not limited to, the Federal Food, Drug and Cosmetic Act, 21 U.S.C. ss. 301 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. ss. 136 et seq.; the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq. (except that provisions of the Toxic Substances Control Act and the regulations promulgated thereunder related to the regulation of polychlorinated biphenyls shall be deemed to be Environmental Laws for purposes of this Agreement); and similar state and local laws.

1.9 Former Facilities: All plants, facilities, real property and equipment owned, operated, leased or otherwise used by 3M or any 3M Entity prior to the Distribution Date, in connection with or relating to the Transferred Businesses, that are not included in the Transferred Assets; provided, that Contract Manufacturing Facilities shall not be deemed to be Former Facilities for purposes of this Agreement.

1.10 Future Environmental Liabilities: All Liabilities of Imation or its Affiliates arising under or related to Environmental Laws, arising as a result of Imation's or its Affiliates' operations and activities subsequent to the Distribution Date, including, but not limited to:

(a) Imation's and its Affiliates' obligations to comply with Environmental Laws in the operation of the Transferred Businesses on and after

the Distribution Date; and

(b) Liabilities arising out of: the use, handling, generation, transportation, treatment, storage, disposal or release of materials on or after the Distribution Date, or arranging for the treatment, storage, disposal, or release of materials on or after the Distribution Date, by Imation or its Affiliates.

1.11 Imation Facility: Any of the Transferred Assets (as defined in the Distribution Agreement), whether foreign or domestic, and any property to which pollution from a Transferred Asset migrates or has migrated.

1.12 Indemnifiable Losses: With respect to any claim by an Indemnified Party for indemnification authorized pursuant to this Agreement, any and all Losses suffered by such Indemnified Party with respect to such claim.

1.13 Indemnification Claimant. Shall have the meaning given such term in Section 3.1(c) of this Agreement.

1.14 Indemnified Party: Any person who is entitled to receive payment from an Indemnifying Party pursuant to this Agreement.

1.15 Indemnifying Party: Any person who is required to pay any other person pursuant to this Agreement.

1.16 Insurance Coverage: Shall mean the benefits of any policy of insurance issued by a third party to 3M on or prior to the Distribution Date, including, without limitation, indemnification, defense costs, and punitive damages.

1.17 Joint Defense Agreement: Any agreement, substantially in the form of Exhibit D to the Distribution Agreement, which may be entered into by 3M and Imation with respect to their defense of certain matters.

1.18 Liabilities: Any and all debts, liabilities, obligations, penalties, and responsibilities, whether absolute, accrued, contingent, reflected on the balance sheet, known, unknown, existing or not yet existing, administrative, civil, or criminal, including, without limitation, those arising under or in connection with any law (including Environmental Laws), rule, regulation, duty, Action, order or consent decree of any governmental entity, any judgment of any court of any kind or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking.

1.19 Loss: Any and all losses, Liabilities, claims, damages, obligations, payments, penalties, fines, reimbursements, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, Remediations, demands, assessments and judgments, and of any and all settlements and compromises relating thereto, and reasonable attorneys' fees and expenses in connection therewith).

1.20 Non-Transferred Businesses: Any and all past and current

operations and activities of 3M or any 3M Entity, including, but not limited to, the Core Businesses (as defined in the Distribution Agreement), that are not connected with or related to the Transferred Businesses.

1.21 Remediation: Any investigation, remediation, prevention, containment or abatement of releases or threatened releases of materials into the workplace or the environment and the assessment and mitigation of risks and/or restoration of any harm arising therefrom, and related actions thereto.

1.22 Retained Environmental Liabilities: All Liabilities of 3M and any 3M Entity under or related to Environmental Laws, arising as a result of activities or operations of 3M or any 3M Entity prior to the Distribution Date, that are not Assumed Environmental Liabilities, including, but not limited to:

(a) Remediation or Actions at Former Facilities, including, but not limited to, matters listed on Schedule 1.4(b) (1) to this Agreement;

(b) Remediation or Actions at any Disposal Site that: (1) is identified on Schedule 1.4(b) (2) to this Agreement; (2) has not been identified on a schedule to this Agreement as of the Distribution Date, but only to the extent that 3M's or any 3M Entity's Liability for such matter arises from or is connected with the activities and operations of Former Facilities or the Non-Transferred Businesses;

(c) Remediation or Actions at any Contract Manufacturing Facility to the extent that 3M's or any 3M Entity's relationship to such facility relates to or arises from the Non-Transferred Businesses; and

(d) Remediation or Actions at any facility currently or formerly owned or operated by a Non-Transferred Business, to the extent such Remediation or Actions arise from activities or operations by 3M or any 3M Entity prior to the Distribution Date.

1.23 Third Party Claims: Shall have the meaning given such term in Section 3.1(a) of this Agreement.

1.24 Other Defined Terms: Capitalized terms not defined herein shall have the meaning given to such terms in the Distribution Agreement.

1.25 Rule of Construction: The meanings set forth in this Article I shall be equally applicable to both the singular and the plural forms of the terms defined.

ARTICLE II

RESPONSIBILITY UNDER ENVIRONMENTAL LAWS; INDEMNIFICATION

2.1 Imation Responsibility. As of the Distribution Date, Imation shall, and shall cause its Affiliates to, assume and be responsible for the Assumed Environmental Liabilities. Without limiting the foregoing, Imation, or an Affiliate of Imation, as the case may be, shall, promptly after the

Distribution Date, execute and obtain to the extent it is possible to do so, and assist 3M to execute and obtain, any consents, transfers, assignments, assumptions, waivers, and other legally effective instruments to cause Imation, or an Affiliate of Imation, as the case may be, to be substituted for 3M with respect to all permits, licenses, registrations, financial assurances (including letters of credit), consent decrees and consent orders, other decrees and other obligations under Environmental Laws relating to (i) the Assumed Environmental Liabilities and (ii) the on-going operations of the Imation Facilities and the Transferred Businesses.

2.2 3M Responsibility. As between 3M and Imation, 3M shall remain responsible for the Retained Environmental Liabilities. 3M does not and shall not assume any responsibility or Liability for Future Environmental Liabilities.

2.3 Indemnification by Imation. Imation shall and shall cause its Affiliates to indemnify, defend and hold harmless 3M, each of its directors, officers, employees and agents and each Affiliate of 3M from and against, and shall reimburse such Indemnified Parties with respect to, any and all Losses of such Indemnified Parties arising out of or due to, directly or indirectly, (a) any of the Assumed Environmental Liabilities, (b) any failure to perform, or violation of, any covenant, agreement, assumption, or responsibility of Imation under this Agreement, (c) any Liabilities incurred by, resulting to or imposed on such Indemnified Parties relating in any way to obligations under Environmental Laws with respect to which Imation or a Imation Affiliate is required to be substituted for 3M after the Distribution Date as set forth in Section 2.1 hereof, or (d) Future Environmental Liabilities.

2.4 Indemnification by 3M. 3M shall and shall cause its Affiliates to indemnify, defend and hold harmless Imation, each of its directors, officers, employees and agents and each Affiliate of Imation from and against, and shall reimburse such Indemnified Parties with respect to, any and all Losses of such Indemnified Parties arising out of or due to, directly or indirectly, (a) any Retained Environmental Liability, and (b) any failure to perform, or violation of, any covenant, agreement, assumption, or responsibility of 3M under this Agreement.

ARTICLE III

PROCEDURES FOR REMEDIATION OR ACTIONS SUBJECT TO INDEMNIFICATION

3.1 Procedure for Indemnification. (a) If a party to this Agreement, or other person or entity affiliated with that party for purposes of indemnification as set forth in Sections 2.3 and 2.4 of this Agreement, receives notice of any claim or Action brought, asserted, commenced or pursued by any person or entity not a party to this Agreement, or any fact or allegation upon which such claim or Action could be based (hereinafter a "Third Party Claim"), with respect to which the other party to this Agreement is or may be obligated to provide defense or indemnification pursuant to Article II hereof, said person shall give such other party prompt notice thereof (including any pleadings relating thereto) after becoming aware of such Third Party Claim, specifying in

reasonable detail the nature of such Third Party Claim and the amount or estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim); provided, however, that the failure of a person to give notice as provided in this Section 3.1 shall not relieve the other party of its indemnification obligations under this Agreement, except to the extent that such other party is actually prejudiced by a failure to give notice as provided hereunder.

(b) For any Third Party Claim concerning which notice is given under subparagraph (a) of this Section 3.1, the Indemnifying Party shall defend in a timely manner, to the extent permitted by law, such Third Party Claim through counsel appointed by the Indemnifying Party and reasonably acceptable to the Indemnified Party. Once an Indemnifying Party has commenced its defense of an Indemnified Party, it cannot withdraw from such defense until the conclusion of the matter, unless the Indemnified Party agrees to the withdrawal or the Indemnified Party is also defending the claim. The Indemnified Party shall have the right to participate in the defense of the Third Party Claim by employing separate counsel at its own expense, provided that the parties enter into a Joint Defense Agreement, substantially in the form of Exhibit D to the Distribution Agreement, that will protect privileged communications.

(c) If a party responds to a notice of a Third Party Claim by denying its obligation to indemnify the person or entity claiming a right of defense and indemnification under this Agreement ("Indemnification Claimant"), or if the Indemnifying Party fails to defend in a timely manner, the Indemnified Party shall be entitled to defend such Third Party Claim. In addition, if it is later determined, through the procedures referenced in Article VI of this Agreement, that said party wrongfully denied such claim or wrongfully failed to defend in a timely manner, then said Indemnifying Party shall (1) reimburse the Indemnified Party for all costs and expenses incurred reasonably by the Indemnified Party in connection with its defense of such Third Party Claim and (2) be estopped from challenging a judgment, order, settlement, compromise, or consent judgment entered into in good faith by the Indemnified Party resolving a Third Party Claim, if such claim has been resolved prior to the conclusion of the proceeding between the Indemnified Party and Indemnifying Party. An Indemnifying Party, after initially rejecting a claim for defense or indemnification by an Indemnification Claimant, may defend and indemnify the Indemnification Claimant, at any time prior to the resolution of said Third Party Claim, for such claim, provided that (x) the Indemnifying Party reimburses the Indemnified Party for all costs and expenses incurred reasonably by the Indemnified Party in connection with its defense of such Third Party Claim up to the time the Indemnifying Party assumes control of the defense of such claim (including costs incurred in the transition of the defense from the Indemnified Party to the Indemnifying Party) and (y) the assumption of the defense of the Third Party Claim will not prejudice or cause harm to the Indemnified Party.

(d) Regardless of the party that defends a Third Party Claim, the other party reasonably shall make available all employees, Books and Records, communications, documents, items or matters within its knowledge, possession or control that are necessary, appropriate or reasonably deemed relevant with respect to such defense; provided, however, that nothing in this subparagraph

(d) shall be deemed to require the waiver of any privilege, including the attorney-client privilege, or protection afforded by the attorney work product doctrine. If a party requests the other party to undertake the foregoing obligations in connection with any other Third Party Claim asserted against the requesting party and for which the other party has no indemnity obligation under this Agreement, and where the other party has information, documents or witnesses within its possession or control that would reasonably assist the requesting party, the other party shall undertake the foregoing obligation to cooperate with and assist the requesting party provided that the requesting party agrees to reimburse the other party's reasonable out-of-pocket expenses incurred in connection with such cooperative effort.

(e) With respect to any Third Party Claim, no party shall enter into any compromise or settlement or consent to the entry of any judgment (1) which does not include as a term thereof the giving by the third party of a release to the Indemnified Party from all further liability concerning such Third Party Claim on terms no less favorable than those obtained by the party entering into such compromise, settlement or consent or (2) imposes any obligation on the Indemnified Party without said Indemnified Party's written consent (such consent not to be unreasonably withheld), except an obligation to pay money which the Indemnifying Party has agreed to pay on behalf of the Indemnified Party.

(f) Upon final judgment, determination, settlement or compromise of any Third Party Claim, and unless otherwise agreed by the parties, the Indemnifying Party shall pay promptly on behalf of the Indemnified Party, or to the Indemnified Party in reimbursement of any amount theretofore required to be paid by it, the amount so determined by final judgment, determination, settlement or compromise. Upon the payment in full by the Indemnifying Party of such amount, the Indemnifying Party shall succeed to the rights of such Indemnified Party, to the extent not waived in settlement, against the third party who made such Third Party Claim.

(g) Regardless of the party actually defending a Third Party Claim for which there is an indemnity obligation under this Agreement, the parties shall give each other regular status reports relating to such action with detail sufficient to permit the other party to assert and protect its rights and obligations under this Agreement.

(h) For any Co-Disposal Site or Contract Manufacturing Facility where materials have been disposed such that there arises an Assumed Environmental Liability of Imation and a Retained Environmental Liability of 3M, Imation shall remain responsible for indemnifying and defending 3M with respect to the Assumed Environmental Liability and 3M shall remain responsible for indemnifying and defending Imation with respect to the Retained Environmental Liability. Notwithstanding the previous sentence, the parties may, in their discretion, enter into alternative arrangements with respect to the defense of such matter, including, but not limited to, allowing one or the other party to act as the lead party with respect to the defense of such matter and allocating Losses (including, but not limited to, the costs of defense and settlement) for such matter.

(i) The provisions of this Section 3.1 shall survive in perpetuity.

3.2 Other Claims. Any claim on account of an Indemnifiable Loss which does not result from a Third Party Claim, shall be asserted by written notice from the Indemnified Party to the Indemnifying Party. Except as provided below, such Indemnifying Party shall have a period of 60 days (or such shorter time period, if required under the circumstances, as indicated by the Indemnified Party in the written notice) within which to respond thereto. If such Indemnifying Party does not respond within such 60-day (or lesser) period, such Indemnifying Party shall be deemed to have accepted responsibility to make payment and shall have no further right to contest the validity of such claim. If such Indemnifying Party does respond within such 60-day (or lesser) period and rejects such claim in whole or in part, the Indemnified Party shall be free to pursue resolution as provided in Article X of the Distribution Agreement.

ARTICLE IV

RECORDS; CONFIDENTIALITY; COOPERATION

4.1 Records Relating to Assumed Environmental Liabilities and Future Environmental Liabilities. 3M will make a good faith effort to deliver to Imation, promptly after the Distribution Date, all files and other documents of 3M relating to the Assumed Environmental Liabilities and Future Environmental Liabilities, including those maintained by 3M's legal department, provided that 3M may retain copies of documents (i) relating to Insurance Coverage proceedings or (ii) required for the performance of services 3M is undertaking pursuant to the Environmental Services Agreement entered into by 3M and Imation. From time to time thereafter, 3M will make a good faith effort to promptly deliver any additional documents or copies of documents relating to the Assumed Environmental Liabilities and Future Environmental Liabilities which come to its attention. Imation shall, and shall cause its Affiliates to, cooperate fully with 3M with respect to such documents and copies, including by making available to 3M all or part of any files or documents delivered by 3M, by promptly responding to requests for specific files, documents, records or information, and by making available Imation (or Imation Affiliate) personnel with knowledge relating to such files, documents, records or information for discussions with 3M with respect thereto.

4.2 Cooperation. From time to time at the reasonable request of either party, 3M or Imation (as the case may be) will, and will cause their Affiliates to, make available their personnel with relevant non-privileged (and, if a Joint Defense Agreement has been signed by the parties pursuant to Section 4.3 hereof, privileged) information regarding any Assumed Environmental Liability, Future Environmental Liability, Retained Environmental Liability, or other matter arising under Environmental Law that relates to either or both of the parties, for discussions and cooperation with the other party with respect thereto; provided, that nothing contained herein shall be construed as a waiver by either party of its rights with respect to the other party, including but not limited to the circumstance where there is a conflict of interest between Imation and 3M.

4.3 Joint Legal Defense. In order to minimize the risk of the waiver of any privilege available to Imation or 3M with respect to the matters that may arise hereunder, Imation and 3M shall, or shall cause their respective Affiliates to, as necessary, at the request of either party, enter into a Joint Defense Agreement, substantially in the form of Exhibit D to the Distribution Agreement, with respect to specific controversies for the purpose of asserting common claims or defenses in accordance with their obligations hereunder.

4.4 Confidentiality. Without limiting the obligations set forth in any Joint Defense Agreement contemplated by Section 4.3 hereof, the parties recognize that during the course of performance of this Agreement, each party will have access to confidential commercial, business or technical documents, information and records (whether disclosed orally or in written, electronic or other form) of the other. The parties shall comply with the requirements of Section 7.5 of the Distribution Agreement with respect to such confidential information, provided, that the restrictions in Section 7.5 of the Distribution Agreement as applied to confidential information directly or indirectly relating to any actual, alleged or potential liability or obligation of 3M or Imation under any Environmental Law shall not expire, notwithstanding any time limits set forth in Section 7.5(c) of the Distribution Agreement, until such time and to the extent that such information ceases to be confidential information (as provided in Section 7.5 of the Distribution Agreement).

4.5 Records Retention. (a) Except as provided in subsection (b) below, Imation shall, and shall cause its Affiliates to, maintain in perpetuity the following categories of records transferred by 3M to Imation related to the pre-Distribution Date operations and activities of 3M, and shall cooperate fully with 3M with respect to such records, including promptly making such records available to 3M at 3M's request: (1) active or current permits, licenses, or authorizations required under Environmental Law; (2) applications relating to such permits, licenses, or authorizations; (3) permits, licenses, or authorizations required under Environmental Laws that have expired or been terminated, cancelled or revoked; (4) all documentation relating to solid and hazardous waste management, including, but not limited to, records relating to the generation, transportation, treatment, storage, disposal or recycling of solid and hazardous waste; (5) records relating to drum reconditioning; (6) records relating to spills, permit or regulatory exceedances, notices of violation, or government inspections; (7) all contracts relating to the disposal, transport, treatment, storage or recycling of solid or hazardous waste; (8) all reports and supporting documentation related to submissions made under Sections 311, 312 or 313 of the Federal Emergency Planning and Community Right-to-Know Act; (9) all documents related to the presence, management, handling, and disposal of materials containing asbestos and polychlorinated biphenyls, including, but not limited to, equipment containing fluids that are contaminated with polychlorinated biphenyls; and (10) all correspondence related to the above-noted categories.

(b) At such point as Imation or a Imation Affiliate determines that it no longer intends to retain a copy of any document that is covered by Section 4.5(a), Imation shall notify 3M in writing of its (or its Affiliate's) intent to destroy or dispose of such document and offer to provide the document to 3M as

an alternative to the disposal or destruction of said document. 3M shall have 30 days from the receipt of the notice described in the previous sentence to accept Imation's offer. If 3M does not accept Imation's offer within such 30 day period, Imation or its Affiliate shall no longer be bound by any obligation to retain such document.

ARTICLE V

ENVIRONMENTAL INSURANCE LITIGATION

5.1 Environmental Insurance Litigation. Any claims for Insurance Coverage that Imation or a Imation Affiliate may have with respect to Assumed Environmental Liabilities shall be governed in accordance with the provisions of Article IX of the Distribution Agreement. With respect to claims for Insurance Coverage with respect to Assumed Environmental Liabilities for which both 3M and Imation or their Affiliates have incurred Losses, if the amount of the Recovery (as such term is defined in the Distribution Agreement) for such claims is limited by the amount of coverage provided by the applicable insurance policy or policies, 3M may use its reasonable discretion in allocating the Recovery between it and Imation for such claims.

ARTICLE VI

DISPUTES

6.1 General. All disputes between Imation and 3M with respect to any matter governed by this Agreement shall be subject to the provisions of Article X of the Distribution Agreement governing dispute resolution, except that, for purposes of such Article X, disputes relating to the Information or privileged information under Article IV hereof shall be treated the same as those arising under Section 7.6 of the Distribution Agreement.

ARTICLE VII

MISCELLANEOUS

7.1 Distribution Date. This Agreement shall be effective on and from the Distribution Date.

7.2 Survival. All covenants, agreements and assumptions or allocations of responsibility contained herein shall survive the Distribution Date.

7.3 Remedies Available. Except as expressly provided in Article VI hereof or Article X of the Distribution Agreement, nothing in this Agreement shall limit or constrain the right of the parties to pursue and recover damages at law or to seek equitable relief for breaches of this Agreement. In the event any party seeks equitable relief for breach of this Agreement, the party against whom the claim of breach is asserted waives, and shall not assert, any claim or defense thereto that the claimant has an adequate remedy at law.

7.4 Notices. All notices and other communications between Imation and

3M hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed as specified in Section 11.4 of the Distribution Agreement.

7.5 Scope and Modification. This Agreement constitutes the entire agreement between the parties and supersedes all prior oral or written agreements or understandings of the parties with regard to the subject matter hereof. No interpretation, change, termination or waiver of any provision hereof shall be binding upon a party unless in writing and executed by the other party. No modification, waiver, termination, rescission, discharge or cancellation of any right or claim under this Agreement shall affect the right of any party hereto to enforce any other claim or right hereunder.

7.6 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereunder, upon any breach or default of any party hereunder, shall impair any such right or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or in any similar breach or default hereunder occurring. No waiver of any single breach or default shall be deemed a waiver of any other breach or default occurring hereunder.

7.7 Successors and Assigns. This Agreement and all of the provisions herein shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior written consent of the other party.

7.8 No Third Party Beneficiaries. This Agreement is not intended to, and shall not be construed to, confer any rights or remedies on any person other than the parties hereto and their successors and permitted assigns and the persons described in Article II.

7.9 Headings. The article and section headings in this Agreement are for convenience only and shall not be construed as part of this Agreement or as defining or limiting in any way the scope or intent of the provisions hereof.

7.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Minnesota (without consideration of provisions relating to conflicts of law) as to all matters, including, without limitation, matters of validity, construction, effect, performance and remedies.

7.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

7.12 Severability. In the event that any covenant, condition or other provision of this Agreement is held to be invalid, void or illegal by any court of competent jurisdiction, the same shall be deemed to be severable from the remainder of this Agreement, and shall in no way affect, impair or invalidate any other covenant, condition or other provision hereof.

7.13 Construction of Agreements. In the event and to the extent that there shall be a conflict between the provisions of this Agreement and the Distribution Agreement, any other Related Agreement (as such term is defined in the Distribution Agreement), any Conveyancing and Assumption Instrument (as such term is defined in the Distribution Agreement) or any other instrument of assumption, the provisions of this Agreement shall control as to matters falling within the scope and subject matter of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above written.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By: _____

Name:

Title:

IMATION CORP.

By: _____

Name:

Title:

INTELLECTUAL PROPERTY

RIGHTS AGREEMENT

BETWEEN

MINNESOTA MINING AND

MANUFACTURING COMPANY

AND

IMATION CORP.

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INTELLECTUAL PROPERTY RIGHTS AGREEMENT

This Agreement, effective as of the ____ day of _____, 1996, is by and between Imation Corp., a Delaware corporation whose address and principal place of business is 1 Imation Place, Oakdale, Minnesota 55128 ("IMATION") and Minnesota Mining and Manufacturing Company, a Delaware corporation whose address and principal place of business is 3M Center, Saint Paul, Minnesota 55144 ("3M").

RECITALS:

3M is spinning off IMATION as a separate independent company to operate in fields generally distinct from 3M. This Agreement is intended to license and assign to IMATION certain intellectual property rights. Since certain IMATION employees will be located in 3M facilities for a period of time in the future and to provide a smooth transition, 3M and IMATION provide limited licenses to each other under intellectual property developed in the future. Also, since 3M's corporate culture provides for an intermingling of technology, noncompete and change in control provisions are provided to minimize the opportunity for conflict.

In consideration of these premises and of the mutual promises set forth below, the parties to this Agreement agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the terms defined in this Article shall have the meaning specified and shall be applicable both to the singular and plural forms:

- 1.1. "PARTY" means 3M or IMATION, as applicable. Unless the context herein expressly requires otherwise, any reference to 3M, IMATION or a Party shall be deemed to also be a reference to their respective Affiliates.

- 1.2. "AFFILIATE" means any corporation, firm, partnership, proprietorship or other form of business organization as to which the control of the business shall be exercised by a Party, and any corporation, firm, partnership, proprietorship or other form of business organization in which a Party has greater than fifty percent (50%) ownership interest, or the maximum ownership interest it is permitted to have in the country where such business organization exists if equal to or less than fifty percent (50%). In the case of 3M, "Affiliate" shall further include its affiliate Sumitomo 3M Limited (hereinafter "Sumitomo 3M"), and in the case of IMATION "Affiliate" shall further include its affiliates in Japan and South Korea for so long as: 1.2.1. 3M or IMATION, as the case may be, maintains ownership or control of at least fifty percent (50%) of the outstanding shares of the aforesaid affiliate(s), or 1.2.2. 3M or IMATION, as the case may be, has the right to elect at least fifty percent (50%) of the members of the managing authority of the aforesaid affiliate(s).
- 1.3. "DISTRIBUTION DATE" means the date on which 3M distributes shares in IMATION to 3M's stockholders to spin off IMATION.
- 1.4. "FOREGROUND PERIOD" means the period beginning with the Distribution Date and ending two (2) years thereafter.
- 1.5. "3M BUSINESS FIELDS" means either i) in respect to all references thereto throughout this Agreement except those in Article 19, the fields identified in Exhibit A, to the extent such fields are outside the scope of the IMATION Exclusive Fields, IMATION Supply Fields and Non-Exclusive Fields, or ii) in respect to all references thereto in Article 19, the fields identified in Exhibit A, to the extent such fields are outside the scope of the IMATION Exclusive Fields, IMATION Supply Fields and Paragraphs II, III, V, VII and VIII of the Non-Exclusive Fields.
- 1.6. "3M RESERVED FIELDS" means the fields identified in Exhibit B, to the extent such fields are outside the scope of the IMATION Supply Fields.
- 1.7. "3M SUPPLY FIELDS" means the fields identified in Exhibit C.
- 1.8. "IMATION EXCLUSIVE FIELDS" means the fields identified in Exhibit D, to the extent such fields are outside the scope of the 3M Reserved Fields and 3M Supply Fields.
- 1.9. "IMATION SUPPLY FIELDS" means the fields identified in Exhibit E.
- 1.10. "NON-EXCLUSIVE FIELDS" means the fields identified in Exhibit F, to the extent such fields are outside the scope of the 3M Reserved Fields, IMATION Exclusive Fields, 3M Supply Fields and IMATION Supply Fields.
- 1.11. "BACKGROUND PI" means any information, other than Assigned PI, which:
- 1.11.1. is owned by 3M, or is controlled by 3M to the extent 3M may grant licenses, in whole or in part, to IMATION of the scope and content granted in this Agreement to IMATION; and
- 1.11.2. either
- 1.11.2.1. has been used by a 3M business being transferred to IMATION prior to the Distribution Date in producing, marketing or selling a product or service sold by such a 3M business; or
- 1.11.2.2. has been used by such a 3M business in an experimental or developmental setting prior to the Distribution Date for purposes related to such a 3M business, but not if

received by such a 3M business from a business remaining with 3M primarily for the purpose of developing, manufacturing or supporting a product or developing or providing a service to be sold or licensed by the business remaining with 3M.

- 1.12. "BACKGROUND PATENTS" means those claims of patent applications and patents, other than Assigned Patents, which:
- 1.12.1. are owned by 3M, or are controlled by 3M to the extent 3M may grant licenses, in whole or in part, to IMATION of the scope and content granted in this Agreement to IMATION; and
 - 1.12.2. are directed to inventions which are conceived before the Distribution Date, and constitute, result from use of, or are based on Background PI and/or Assigned PI.
- 1.13. "ASSIGNED PI" means certain information which has been used prior to the Distribution Date exclusively by businesses being transferred to IMATION, is not anticipated by IMATION to be used by a business remaining with 3M, and is to be identified in a confidential writing agreed to between the Parties.
- 1.14. "ASSIGNED PATENTS" means the patent applications and patents identified in Exhibit G.
- 1.15. "3M FOREGROUND PI " means any information which:
- 1.15.1. is owned by 3M, or is controlled by 3M to the extent 3M may grant licenses, in whole or in part, to IMATION of the scope and content granted in this Agreement to IMATION;
 - 1.15.2. is conceived during the Foreground Period;
 - 1.15.3. results from use of, or is based upon technical Background PI and/or Assigned PI; and
 - 1.15.4. in the case of information conceived during the second year of the Foreground Period, is further characterized as being i) contained in 3M Records of Invention which are provided to IMATION pursuant to Paragraph 12.7 hereof and define inventions resulting from the use of, or based upon Background PI and/or Assigned PI; ii) disclosed by 3M, in its sole discretion, to IMATION in connection with 3M Records of Invention provided pursuant to i) above; or iii) related to an Extraordinarily Sensitive Technology and disclosed during, or as a result of symposia pursuant to Paragraph 12.8 hereof.
- 1.16. "3M FOREGROUND PATENTS" means those claims of patent applications and patents which:
- 1.16.1. are owned by 3M, or are controlled by 3M to the extent 3M may grant licenses, in whole or in part, to IMATION of the scope and content granted in this Agreement to IMATION; and
 - 1.16.2. are directed to inventions which are conceived during the Foreground Period, and result from use of, or are based upon technical Background PI and/or Assigned PI.
- 1.17. "IMATION FOREGROUND PI " means any information which:
- 1.17.1. is owned by IMATION, or is controlled by IMATION to the extent IMATION may grant licenses, in whole or in part, to 3M of the scope and content granted in this Agreement to 3M;
 - 1.17.2. is conceived during the Foreground Period;

- 1.17.3. results from use of, or is based upon technical Background PI and/or Assigned PI; and
- 1.17.4. in the case of information conceived during the second year of the Foreground Period, is further characterized as being i) contained in IMATION Records of Invention which are provided to 3M pursuant to Paragraph 12.7 hereof and define inventions resulting from the use of, or based upon technical Background PI and/or Assigned PI; ii) disclosed by IMATION, in its sole discretion, to 3M in connection with IMATION Records of Invention provided pursuant to i) above; or iii) related to an Extraordinarily Sensitive Technology and disclosed during, or as a result of symposia pursuant to Paragraph 12.8 hereof.
- 1.18. "IMATION FOREGROUND PATENTS" means those claims of patent applications and patents which:
- 1.18.1. are owned by IMATION, or are controlled by IMATION to the extent IMATION may grant licenses, in whole or in part, to 3M of the scope and content granted in this Agreement to 3M; and
- 1.18.2. are directed to inventions which are conceived during the Foreground Period, and result from use of, or are based upon technical Background PI and/or Assigned PI.
- 1.19. "JOINT FOREGROUND PI " means any information which is conceived jointly by one or more employees, agents or contract employees of 3M and one or more employees, agents or contract employees of IMATION during the Foreground Period, and results from the use of, or is based upon technical Background PI and/or Assigned PI.
- 1.20. "JOINT FOREGROUND PATENTS" means those claims of patent applications and patents which are directed to inventions conceived jointly by one or more employees, agents or contract employees of 3M and one or more employees, agents or contract employees of IMATION during the Foreground Period, and resulting from the use of, or based upon technical Background PI and/or Assigned PI.
- 1.21. "ASSIGNED TRADEMARKS" means the trademarks identified in Exhibit H.
- 1.22. "ASSIGNED TRADEMARK REGISTRATIONS" means the applications for registration and registrations for Assigned Trademarks identified in Exhibit I.
- 1.23. "ASSIGNED TRADE DRESSES" means each trade dress for each of the products sold on the Distribution Date by a 3M business being transferred to IMATION on the Distribution Date, excluding elements of each trade dress in common with products sold by a business remaining with 3M on the Distribution Date.
- 1.24. "LICENSED TRADEMARKS" means the trademarks identified in Exhibit J.
- 1.25. "LICENSED TRADE DRESSES" means each trade dress for each of the products sold on the Distribution Date by a 3M business being transferred to IMATION on the Distribution Date, except to the extent each such trade dress is an Assigned Trade Dress.
- 1.26. "TRADEMARK LICENSED PRODUCTS" means the products identified in Exhibit K.
- 1.27. "3M COPYRIGHT RIGHTS" means all rights owned by 3M arising under any copyright or mask work law, including, but not limited to, the right of reproduction, creation of derivative works, distribution, display and performance, but specifically

excluding any such rights which 3M has licensed from a third party.

- 1.28. "3M LICENSED WORKS" means all works which (a) are subject to 3M Copyright Rights, and (b) have actually and regularly been used in the ordinary course of business on or before the Distribution Date in the administration, research, development, production, marketing, leasing, licensing, selling or servicing of any product or service sold or to be sold by a 3M business being transferred to IMATION on the Distribution Date.
- 1.29. "3M SOFTWARE" means those portions of computer programs, together with any related documentation or manuals, to which 3M owns all 3M Copyright Rights as of the Distribution Date.
- 1.30. "THIRD-PARTY SOFTWARE" means all computer programs, together with any related documentation or manuals, which 3M has licensed or purchased from a third party where any of the copyright, trade secret, patent and other intellectual property rights have been retained by such third party.
- 1.31. "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the Distribution Date and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the Distribution Date except for:
- 1.31.1. information learned by IMATION for the first time after the Distribution Date, but prior to any disclosure by 3M;
 - 1.31.2. information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;
 - 1.31.3. information disclosed to IMATION by a third party, provided (i) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (ii) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (iii) the disclosure by the third party is not otherwise unlawful;
 - 1.31.4. information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Distribution Date and/or disclosed by 3M thereafter;
 - 1.31.5. information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or retained by IMATION under this Agreement;
 - 1.31.6. information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Distribution Date from a business remaining with 3M on the Distribution Date; and
 - 1.31.7. information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

- 1.32. "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the Distribution Date and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M except for:
- 1.32.1. information learned by 3M for the first time subsequent to the Distribution Date, but prior to any disclosure by IMATION;
 - 1.32.2. information which is or becomes publicly available through no act of 3M, from and after the date of public availability;
 - 1.32.3. information disclosed to 3M by a third party, provided (i) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (ii) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (iii) the disclosure by the third party is not otherwise unlawful;
 - 1.32.4. information developed by 3M independent of any confidential IMATION information which is known by 3M on the Distribution Date and/or disclosed by IMATION thereafter;
 - 1.32.5. information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement;
 - 1.32.6. information which is developed by a business which remains with 3M on the Distribution Date and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Distribution Date from a business being transferred to IMATION on the Distribution Date; and
 - 1.32.7. information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.
- 1.33. "COMMON INTEREST PATENT" shall mean a particular patent application or patent which i) is owned by one Party, ii) has been specifically identified by the other Party as being of significant commercial interest to that other Party; and iii) is in Background Patents, Assigned Patents, 3M Foreground Patents or IMATION Foreground Patents.
- 1.34. "FORMER 3M EMPLOYEES" shall mean and include all employees who signed a 3M Employee Agreement and whose employment with 3M terminated or terminates at any time before, on or after the Distribution Date.
- 1.35. "IMATION EMPLOYEES" shall mean and include the following individuals: (i) all Former 3M Employees employed by IMATION, and (ii) individuals employed by IMATION who have never been employed by 3M ("Non 3M Employees").

2. LICENSE GRANT TO IMATION UNDER BACKGROUND PI AND BACKGROUND PATENTS

- 2.1. 3M hereby grants to IMATION paid-up, royalty-free, worldwide licenses, including the right to manufacture, have manufactured (subject to Paragraph 15.3), use, offer to sell, sell and import as follows:

- 2.1.1. a non-exclusive license, with a right to sublicense IMATION Affiliates, and third parties to the extent permitted by Article 11, under Background PI and Background Patents in the Non-Exclusive Fields;
 - 2.1.2. subject to Paragraph 2.3, an exclusive license (subject to any licenses granted by 3M prior to the Distribution Date to third parties which are not 3M Affiliates), with a right to sublicense IMATION Affiliates, and third parties to the extent permitted by Article 11, under Background PI and Background Patents in the IMATION Exclusive Fields and IMATION Supply Fields; and
 - 2.1.3. a non-exclusive license, effective five (5) years after the Distribution Date, but not before, and including a right to sublicense IMATION Affiliates, and third parties, under Background PI, but not under Background Patents, in all fields outside of the 3M Business Fields, IMATION Exclusive Fields, IMATION Supply Fields and Non-Exclusive Fields.
 - 2.2. 3M hereby grants to IMATION paid-up, royalty-free, worldwide licenses, with a right to sublicense IMATION Affiliates, to use an item in the 3M Supply Fields under Background Patents as follows:
 - 2.2.1. a non-exclusive license in the Non-Exclusive Fields for as long as IMATION and IMATION Affiliates are purchasing their requirements of such item from 3M; and
 - 2.2.2. an exclusive license in the IMATION Exclusive Fields for as long as IMATION and IMATION Affiliates are purchasing their requirements of such item from 3M.
 - 2.3. 3M hereby retains all rights, including the right to sublicense 3M Affiliates, to use an item in the IMATION Supply Fields under Background Patents as follows:
 - 2.3.1. a non-exclusive license in the Non-Exclusive Fields for as long as 3M and 3M Affiliates are purchasing their requirements of such item from IMATION; and
 - 2.3.2. an exclusive license in the 3M Business Fields for as long as 3M and 3M Affiliates are purchasing their requirements of such item from IMATION.
3. ASSIGNMENT TO IMATION OF ASSIGNED PI AND ASSIGNED PATENTS AND LICENSE BACK TO 3M
 - 3.1. 3M hereby assigns (subject to any licenses granted by 3M prior to the Distribution Date to third parties which are not 3M Affiliates) to IMATION its entire right, title and interest to the Assigned PI and Assigned Patents with 3M retaining thereunder the following paid-up, royalty-free, worldwide, irrevocable licenses, with a right to sublicense 3M Affiliates, and third parties to the extent permitted by Article 11, to manufacture, have manufactured (subject to Paragraph 15.3), use, offer to sell, sell and import:
 - 3.1.1. a non-exclusive license under the Assigned PI and Assigned Patents in the Non-Exclusive fields;
 - 3.1.2. an exclusive license under the Assigned Patents in the 3M Business Fields and all other fields which are outside of the Non-Exclusive Fields, IMATION Exclusive Fields and IMATION Supply Fields;
 - 3.1.3. an exclusive license under the Assigned PI in the 3M Business Fields; and
 - 3.1.4. a non-exclusive license under the Assigned PI in all fields outside of the IMATION Exclusive Fields,

- 3.2. 3M hereby assigns to IMATION its entire right, title and interest to U.S. Patent Nos. 4,466,564 and 4,581,189.
- 3.3. IMATION represents that the Assigned PI and Assigned Patents have been used or practiced prior to the Distribution Date exclusively by businesses being transferred to IMATION on the Distribution Date, and are not anticipated by IMATION to be used or practiced by a business remaining with 3M on the Distribution Date. The remedy for breach of this representation shall be prompt reassignment of the component of the Assigned PI or the Assigned Patent in issue back to 3M at 3M's request, at no cost to 3M in the case of Assigned PI and at no cost to IMATION in the case of an Assigned Patent, and subject in both cases to the grant by 3M to IMATION of rights commensurate in scope to those contemplated by Article 2.
- 3.4. 3M shall promptly execute assignments contemplated by Paragraphs 3.1 and 3.2 and requested by IMATION, at 3M's expense, and shall provide the same to IMATION for filing by IMATION, as IMATION deems appropriate and at its expense, including any fees and taxes associated therewith.
- 3.5. For any other inventions which are conceived before the Distribution Date and relate exclusively to 3M businesses being transferred to IMATION on the Distribution Date, 3M shall assign its rights in such inventions to IMATION subject to retention of rights commensurate in scope with Paragraph 3.1. Specifically, 3M shall execute assignments contemplated by this Paragraph 3.5 and requested by IMATION, at 3M's expense, and shall provide the same to IMATION for use by IMATION as it deems appropriate. Records of Invention directed to inventions contemplated by this Paragraph 3.5 shall be identified in a confidential writing agreed to between the Parties.

4. LICENSE GRANT TO IMATION UNDER 3M TRADEMARK RIGHTS AND TRADE DRESSES

- 4.1. Grant. 3M grants to IMATION the worldwide, exclusive right and license to use the Licensed Trademarks and Licensed Trade Dresses on or in connection with the Trademark Licensed Products identified therewith in Exhibit K which are both manufactured by or for IMATION and are sold by IMATION for the periods of time set forth in Exhibit L in respect to each of the Licensed Trademarks, provided that such Trademark Licensed Products are manufactured in accordance with the designs, product specifications and standards set forth from time to time in writing by 3M. These designs, product specifications and standards are initially as established by 3M as of the Distribution Date and as may be modified from time to time by mutual agreement of the Parties. This license is royalty-bearing with payments by IMATION to 3M being as set forth in Exhibit Q.
- 4.2. Sublicense Right. The right and license granted under Paragraph 4.1 shall not include the right to grant sublicenses to any third party, except that IMATION may sublicense IMATION Affiliates, provided that any such sublicense is at least as restrictive as, and allows IMATION to ensure compliance with all the terms and conditions of this Article 4, and provided that IMATION identifies any such sublicensee to 3M before the grant of the sublicense. IMATION guarantees the performance of the sublicensees and compliance of the sublicensees with all the terms and conditions imposed upon IMATION under this Article 4.
- 4.3. Restrictions on Use. IMATION undertakes and agrees to use the Licensed Trademarks and Licensed Trade Dresses only in the manner approved by 3M, and only on or in connection with Trademark Licensed Products manufactured in strict accordance with the proviso of Paragraph 4.1. IMATION will not market under the Licensed Trademarks or Licensed Trade Dresses any Trademark Licensed Products which are not in accordance with

this proviso.

- 4.4. Samples of Trademark Licensed Products. IMATION agrees to furnish 3M, from time to time as requested, representative samples of Trademark Licensed Products to which it affixes the Licensed Trademarks and/or Licensed Trade Dresses. 3M or its authorized representative shall also have the right, at any time or times, to conduct, during regular business hours, an examination of IMATION's Trademark Licensed Products and the plants and processes for making Trademark Licensed Products. 3M recognizes that information disclosed by IMATION to 3M as the result of 3M's exercise of rights under this Paragraph 4.4 is, to the extent applicable, to be considered IMATION Confidential Information.
- 4.5. Quality. If, at any time, any Trademark Licensed Products made or assembled by or for IMATION and bearing the Licensed Trademarks and/or Licensed Trade Dresses shall, in the reasonable opinion of 3M, fail to conform to the standards of quality set by 3M, 3M shall give IMATION notice of such failure. IMATION shall immediately employ its best efforts to cure such failure. If IMATION is unable to cure such failure in as short a period as possible, which in no instance shall exceed thirty (30) days after such notice, IMATION shall immediately thereafter remove the Licensed Trademarks and/or Licensed Trade Dresses from all such non-conforming Trademark Licensed Products in its possession, and shall, as rapidly as possible, replace, at its own cost, any such non-conforming Trademark Licensed Products held in the trade with conforming Trademark Licensed Products.
- 4.6. Manner of Use. IMATION is authorized to use the Licensed Trademarks and Licensed Trade Dress in the manner approved by 3M as set forth in Paragraph 4.7 in connection with Trademark Licensed Products, in its general publicity, advertising, letterheads, signs and other forms of advertising, cartons, packaging, instruction books and other literature packed with the Trademark Licensed Products. In no event, however, shall IMATION use the Licensed Trademarks as part of a trade name or authorize others to do so. Further, IMATION shall not use "3M/IMATION" or "IMATION/3M" or any other combination of "3M" and "IMATION" that is likely to cause confusion, mistake or deception as to the source, origin, association, affiliation, sponsorship or endorsement between these two separate companies, or their respective products or services. In addition to all other obligations and restrictions imposed upon IMATION under this Article 4 in respect to manner of use of the Licensed Trademarks, IMATION shall always describe the Licensed Trademarks used as trademarks in Canada in a manner so as to indicate clearly that they are trademarks of 3M.
- 4.7. Style of Use. IMATION agrees to comply with rules set forth from time to time by 3M with respect to the use of the Licensed Trademarks and Licensed Trade Dresses as follows:
- 4.7.1. The use shall be as mutually agreed upon in writing by the respective corporate marketing and legal functions of the Parties. IMATION shall discontinue the use of the Licensed Trademarks and the Licensed Trade Dresses by the end of the respective use periods indicated in Exhibit L. Final authority as to permitted use for the Licensed Trademarks and Licensed Trade Dress shall rest with 3M. The Parties expect to establish written use guidelines, Sample initial product packaging and use guidelines using the Licensed Trademarks are attached hereto as Exhibit M. IMATION must transition to initial product packaging substantially similar to that shown in Exhibit M within six (6) months after the Distribution Date, or any later date approved by 3M in writing, and IMATION shall take all measures required by law to avoid deception of the public, and assumes all warranty obligations. If at any time IMATION's use of Licensed Trademarks or Licensed Trade Dresses fails to comply with the agreed upon

use guidelines, 3M shall provide notice to IMATION and IMATION shall conform to such use guidelines within ninety (90) days of such notice. Any use of the Licensed Trademarks or Licensed Trade Dresses not specifically agreed upon shall be adopted by IMATION only upon prior approval in writing by 3M as set forth in the first sentence of this Paragraph 4.7.1. Representative specimens showing the use of the Licensed Trademarks by IMATION shall be sent to 3M from time to time upon request of 3M.

- 4.7.2. IMATION has a certain volume of slow moving inventory which has the Licensed Trademarks and/or Licensed Trade Dress molded into the product or otherwise directly applied to the product. To minimize any possible need to destroy product, 3M agrees that it will be sufficient for IMATION to repackage any such product to be sold by IMATION after March 31, 1997, in packaging conforming with the sample packaging of Exhibit M; provided, that IMATION will destroy any such product remaining in inventory after the expiration of the use periods in Exhibit L for any of the Licensed Trademarks appearing on such inventory. Further, businesses being transferred to IMATION have certain molds for CD-ROMs prepared for third parties which these businesses retain in the ordinary course of business for one to two years to allow for repressing of more identical CD-ROMs. These existing molds include the words "Made by 3M" as part of the mold. These words cannot be removed without completely replacing the molds, which would impose a significant cost burden on either IMATION or the customer. 3M agrees that IMATION may retain and continue to use such molds through the end of 1997. IMATION's usage of packaging or molds pursuant to this Paragraph 4.7.2 is subject to IMATION taking all measures required by law to avoid deception of the public and assuming all warranty obligations.
- 4.8. Compliance With Laws. IMATION shall comply with all laws and governmental regulations pertaining to the proper use and designation of trademarks in the various countries where such trademarks are used.
- 4.9. Admission of Validity. IMATION admits the validity of the Licensed Trademarks and Licensed Trade Dresses and agrees that any and all rights and goodwill that might be acquired by the use of the Licensed Trademarks and Licensed Trade Dresses by IMATION shall inure to the sole benefit of 3M. IMATION agrees to fully cooperate with 3M in registering and maintaining the Licensed Trademarks and Licensed Trade Dresses and recording this Agreement, all at 3M's expense.
- 4.10. Use of Other Trademarks by IMATION. IMATION agrees not to use or register in any country any trademarks or trade dresses resembling or confusingly similar to the Licensed Trademarks or Licensed Trade Dresses during the term of the trademark license under this Article 4 and thereafter. Whenever the attention of IMATION is called by 3M to any such uses or registrations, IMATION agrees to take appropriate steps immediately to remedy or avoid such trademarks or trade dresses.
- 4.11. Infringement of Licensed Trademarks and Licensed Trade Dresses and Maintenance of Applications For Registrations and Registrations.
- 4.11.1. IMATION shall give 3M notice of any known or presumed infringements of the Licensed Trademarks, and IMATION shall give 3M full cooperation in the protection of the Licensed Trademarks and Licensed Trade Dresses. If 3M decides to enforce the Licensed Trademarks or Licensed Trade Dresses against an infringer, all costs incurred and all recoveries made shall be for the account of 3M, unless otherwise agreed to in a

separate writing between the Parties. 3M shall have the right to name IMATION as a party in any litigation involving any such enforcement of rights, provided 3M agrees to indemnify IMATION vis-a-vis any damages awarded to any third party as the result of enforcement of such rights.

4.11.2. The parties will establish a mutually acceptable docketing system and other procedures to permit IMATION to monitor the status of registration applications and registrations for Licensed Trademarks so as to allow IMATION to take any action necessary to avoid an unintentional or inadvertent abandonment by 3M of any such registration application or registration.

4.12. 3M Right to Terminate Forthwith.

4.12.1. 3M shall have the right to terminate immediately the license rights granted under this Article 4 in the event 3M reasonably determines that the use of a particular Licensed Trademark or Licensed Trade Dress by IMATION could be deemed to be in connection with obscene, pornographic, or excessively violent materials or subjects or otherwise in poor taste or unlawful and thereby impairing or diminishing the value of the Licensed Trademark or Licensed Trade Dress to 3M.

4.12.2. 3M shall have the right to terminate immediately the license rights granted under this Article 4 relative to any country in the event 3M shall reasonably determine that IMATION's use of any Licensed Trademark, Licensed Trade Dress or activities associated therewith in such country are such as to significantly impair, tarnish or diminish the trademark or 3M corporate image in that country.

4.12.3. 3M shall have the right to terminate immediately the license rights granted under this Article 4 in the event that 3M shall reasonably determine that IMATION's reputation becomes sufficiently negative that continued use of any Licensed Trademark or Licensed Trade Dress would significantly impair, tarnish or diminish 3M's reputation.

4.13. Other Breach by IMATION. In the event that IMATION does not comply with any provisions of this Article 4, other than Paragraph 4.12, and 3M elects to give IMATION notice of such non-compliance, IMATION shall have ten (10) days from the receipt of such notice to remedy the non-compliance. If the non-compliance is not remedied within the ten (10) day period of time, 3M shall have the right to terminate immediately the license rights granted under this Article 4.

4.14. Cessation of Use of Trademarks and Trade Dresses. Upon termination of the licenses granted under this Article 4, IMATION shall as quickly as reasonably possible cease and discontinue all further use of the Licensed Trademarks and Licensed Trade Dresses. IMATION shall remove all Licensed Trademarks and all Licensed Trade Dresses from all Trademark Licensed Products remaining in inventory after three (3) months from such termination.

5. ASSIGNMENT TO IMATION OF CERTAIN TRADEMARKS AND TRADE DRESSES

5.1. 3M assigns IMATION all right, title and interest in and to the Assigned Trademarks and Assigned Trade Dresses, together with the goodwill of the business symbolized by the Assigned Trademarks and Assigned Trade Dresses, and the applications for registration and the registrations for the Assigned Trademarks as set forth in Exhibit I.

5.2. 3M shall promptly execute assignments contemplated by Paragraph 5.1 and requested by IMATION, at 3M's expense, and

shall provide the same to IMATION for filing by IMATION, as IMATION deems appropriate and at its expense, including any fees and taxes associated therewith.

- 5.3. 3M shall assign to IMATION the BLACKWATCH trademark and the "BALL AND LADDER" design trademark on an appropriate date in the future when 3M is no longer using the same in its own businesses or otherwise, subject to the retention by 3M of a worldwide, paid-up, royalty-free sublicensable right and license to use the "BALL AND LADDER" design trademark in connection with head cleaners for video and audio drives. Such assignment shall include the goodwill of the business symbolized by the above trademarks, except for the goodwill relating to the businesses for which 3M retains a license under this Paragraph 5.3.
- 5.4. Use of Other Trademarks by 3M. 3M agrees not to use or register in any country any trademarks or trade dresses resembling or confusingly similar to the Assigned Trademarks or Assigned Trade Dresses during the term of the trademark license to 3M under Paragraph 5.3 and thereafter. Whenever the attention of 3M is called by IMATION to any such uses or registrations, 3M agrees to take appropriate steps immediately to remedy or avoid such trademarks or trade dresses.

6. LICENSE UNDER 3M COPYRIGHT RIGHTS

- 6.1. 3M hereby grants to IMATION paid-up, royalty-free, worldwide licenses to 3M Licensed Works regularly used in the ordinary course of business on or before the Distribution Date by a 3M business being transferred to IMATION as follows:
- 6.1.1. a non-exclusive license with a right to sublicense IMATION Affiliates, and third parties to the extent permitted by Article 11, to exercise any or all of the 3M Copyright Rights in such 3M Licensed Works in the Non-Exclusive Fields; and
- 6.1.2. an exclusive license (subject to any licenses granted by 3M prior to the Distribution Date to third parties which are not 3M Affiliates), with a right to sublicense IMATION Affiliates, and third parties to the extent permitted by Article 11, to exercise any or all of the 3M Copyright Rights in such 3M Licensed Works in the IMATION Supply Fields and the IMATION Exclusive Fields.
- 6.2. IMATION's exercise of any license, exclusive or non-exclusive, granted pursuant to this Article 6, shall be subject to all prohibitions, restrictions and qualifications set forth in this Agreement including, for example, restrictions on the use and disclosure of 3M Confidential Information that may be contained in a 3M Licensed Work and the limitations respecting 3M Software set forth in Paragraph 7.1.
- 6.3. If either party modifies, revises, enhances or creates any derivative work (collectively referred to as "New Material") of any 3M Licensed Work (including any item of 3M Software) during the Foreground Period, then: (i) the party making such New Material shall own all copyright rights arising in and to such New Material without affecting 3M's ownership of all copyright rights in the underlying 3M Licensed Work, (ii) if such New Material has been created by 3M, then it shall be treated as a 3M Licensed Work and licensed to IMATION subject to this Article 6 and Article 7, and (iii) if such New Material has been created by IMATION, then IMATION grants to 3M paid-up, royalty-free, worldwide, irrevocable and non-exclusive licenses to exercise any or all of IMATION's copyright rights arising in and to such New Material in the 3M Business Fields and Non-Exclusive Fields in a manner consistent with the rights retained by and/or licensed to 3M under this Agreement.
- 6.4. 3M and IMATION shall jointly determine within about ninety (90) days after the Distribution Date any works (including

computer software) which (a) are subject to 3M Copyright Rights, and (b) have been used prior to the Distribution Date exclusively by businesses being transferred to IMATION and not used or anticipated to be used by any business remaining with 3M on the Distribution Date. 3M shall assign its entire right, title and interest in any such works to IMATION in a manner consistent with the assignment of Assigned PI under Article 3.

7. LICENSES UNDER 3M SOFTWARE AND THIRD PARTY SOFTWARE

7.1. License of 3M Software. IMATION's use and licensing of any 3M Copyright Rights in 3M Software which are licensed under section 6.1 are limited as follows:

7.1.1. External Use Software. 3M and IMATION shall jointly determine within about ninety (90) days after the Distribution Date those items of 3M Software which are being developed as of the Distribution Date by a 3M business being transferred to IMATION and intended by 3M for sublicensing, leasing or otherwise distributing to third parties in the regular course of business by such 3M business. IMATION may sublicense, lease or otherwise distribute i) such software, ii) any software being licensed, leased or otherwise distributed to third parties on or before the Distribution Date in the regular course of business by a 3M business being transferred to IMATION, and iii) revisions, updates or new versions of the foregoing, to third parties to the extent permitted in Article 11 and in a manner consistent with the license rights expressly granted to IMATION under Articles 2 and 3 of this Agreement to end users, either directly, through distributors, through value-added resellers, or otherwise.

7.1.2. Internal Use Software. Except as provided in Paragraph 7.1.3, IMATION shall use any 3M Software, other than that identified in Paragraph 7.1.1, only for IMATION's own internal operations (including, but not limited to, research, development, manufacture, purchasing, accounting, engineering, marketing, merchandising, selling, leasing, servicing or finance) and only in a manner consistent with the rights expressly granted to IMATION under Articles 2 and 3 of this Agreement. Such use may include loading and executing such software on computers owned or leased by IMATION (or, where appropriate and agreed between the parties, remotely accessing such software loaded on 3M computers and executing such software via such remote access). Access to, and use of, such software shall be restricted to IMATION Employees, and to such contract workers, consultants and other contractors who have executed a nondisclosure agreement limiting the access to and use of the software for IMATION's strictly internal purposes. Such software shall be considered 3M Confidential Information, and may not be sublicensed or otherwise transferred at any time to any third party, except that it may be sublicensed or otherwise transferred to IMATION Affiliates only for use by IMATION Affiliates in their internal operations.

7.1.3. Manufacturing Software. IMATION may sublicense to third parties a limited right to use that 3M Software which, on or before the Distribution Date, a business being transferred to IMATION used, or was developing specifically for use, directly in the manufacture of IMATION products (i.e., to drive, control or regulate manufacturing equipment), to the extent permitted by Article 11, as well as in connection with out-sourcing of products by IMATION or otherwise exercising the "have made" rights granted to IMATION elsewhere in this Agreement, subject to i) IMATION procuring agreements restricting the use and disclosure by any such third party of 3M Confidential

Information discernible from such software to the extent contemplated by Article 15, and ii) the provisions herein regarding protection of Extraordinarily Sensitive Technologies.

Provided, however, that nothing in this Paragraph 7.1 shall be construed i) as in any way limiting IMATION's right to use any algorithms, tools, utilities, sub-routines and the like for computer programming in any manner which is consistent with the rights expressly granted to IMATION under Articles 2 and 3 of this Agreement, or ii) as granting any right to use content in programs or software other than as expressly granted to IMATION under Articles 2 and 3 of this Agreement.

- 7.2. Delivery of Software. Upon request by IMATION within two (2) years after the Distribution Date, 3M shall deliver to IMATION human-readable and machine-executable copies of all source codes and object codes, and any associated documentation for the 3M Software to which IMATION is entitled under this Article 7.
- 7.3. No Support or Maintenance. Unless specified in a separate written agreement between 3M and IMATION, 3M shall have no obligation to provide support (either telephone or on-site), maintenance, modifications, updates or enhancements to IMATION concerning any 3M Software. 3M shall provide to IMATION, at IMATION's expense, reasonable amounts of consulting to explain source codes, object codes and associated documents provided under Paragraph 7.2.
- 7.4. Third Party Software.
 - 7.4.1. IMATION understands and acknowledges that many software products utilized by 3M, including software directly used by the 3M businesses being transferred to IMATION and software used by various 3M departments providing support and services to such 3M businesses and their employees (e.g., Human Resources, Finance and the like) have been licensed from third parties pursuant to software license agreements that contain restrictions which, by their terms, specifically prohibit 3M from making and transferring copies of the Third Party Software to IMATION, or permitting IMATION to access or use the Third Party Software. IMATION further understands and acknowledges that Third Party Software licensed to 3M under distribution and value-added reseller agreements, including 3M businesses being transferred to IMATION, contain provisions that prohibit or condition assignment of 3M's rights under such agreements to IMATION.
 - 7.4.2. Accordingly, with respect to Third Party Software, 3M will assist IMATION to, where appropriate, obtain the third party licensor's permission: (i) to assign 3M's rights and obligations (in whole or in part) to IMATION, and transfer possession of the Third Party Software to IMATION, and/or (ii) to make and provide copies of the Third Party Software to IMATION, and/or (iii) to permit IMATION to access remotely the Third Party Software resident on 3M computers and to use such Third Party Software, and/or (iv) to permit 3M to utilize the Third Party Software on IMATION's behalf in instances where IMATION will not be given access to such software.
 - 7.4.3. When such third party permission has been secured, IMATION shall be responsible for complying with all conditions imposed by such third party, including restrictions and limitations on IMATION's use of the Third Party Software and the payment of any additional licensee/transfer fees together with all applicable federal, state and local taxes imposed thereon.

8. OWNERSHIP OF FOREGROUND INTELLECTUAL PROPERTY RIGHTS

- 8.1. 3M Owned. Unless and to the extent a separate written agreement between 3M and IMATION provides otherwise, including, but not limited to, any agreement pursuant to Paragraph 14.1 or 14.2, 3M shall own all right, title and interest to 3M Foreground PI, 3M Foreground Patents and any other intellectual property, whether patented or not, conceived solely by one or more employees or agents of 3M after the Distribution Date.
- 8.2. IMATION Owned. Unless and to the extent either Paragraph 16.3.1 or a separate written agreement between 3M and IMATION provides otherwise, including, but not limited to, any agreement pursuant to Paragraph 14.1 or 14.2, IMATION shall own all right, title and interest to IMATION Foreground PI, IMATION Foreground Patents and any other intellectual property, whether patented or not, conceived solely by one or more employees or agents of IMATION after the Distribution Date.
- 8.3. Jointly Owned. Unless and to the extent either Paragraph 16.3.1 or a separate written agreement between 3M and IMATION provides otherwise, including, but not limited to, any agreement pursuant to Paragraph 14.1 or 14.2, 3M and IMATION shall jointly own all right, title and interest to Joint Foreground PI, Joint Foreground Patents and any other intellectual property, whether patented or not, conceived jointly by one or more employees, agents or contract employees of 3M and one or more employees, agents or contract employees of IMATION, with each Party having an undivided, fifty (50) percent interest therein.

9. LICENSE GRANT TO IMATION UNDER 3M FOREGROUND PI, 3M FOREGROUND PATENTS, JOINT FOREGROUND PI AND JOINT FOREGROUND PATENTS

- 9.1. 3M hereby grants to IMATION paid-up, royalty-free, worldwide licenses, including the right to manufacture, have manufactured (subject to Paragraph 15.3), use, offer to sell, sell and import, as follows:
- 9.1.1. a non-exclusive license, with a right to sublicense IMATION Affiliates, and third parties to the extent permitted by Article 11, under the 3M Foreground PI and 3M Foreground Patents in the Non-Exclusive Fields and IMATION Supply Fields; and
- 9.1.2. an exclusive license (subject to any licenses granted by 3M prior to the Distribution Date to third parties which are not 3M Affiliates), with a right to sublicense IMATION Affiliates, and third parties to the extent permitted by Article 11, under the 3M Foreground PI and 3M Foreground Patents, and under 3M's interest in the Joint Foreground PI and Joint Foreground Patents in the IMATION Exclusive Fields.

10. LICENSE GRANT TO 3M UNDER IMATION FOREGROUND PI, IMATION FOREGROUND PATENTS, JOINT FOREGROUND PI AND JOINT FOREGROUND PATENTS

- 10.1. IMATION hereby grants to 3M paid-up, royalty-free, worldwide, irrevocable licenses, including the right to manufacture, have manufactured (subject to Paragraph 15.3), use, offer to sell, sell and import, as follows:
- 10.1.1. a non-exclusive license, with a right to sublicense 3M Affiliates, and third parties to the extent permitted by Article 11, under the IMATION Foreground PI and IMATION Foreground Patents in the Non-Exclusive Fields and 3M Supply Fields; and
- 10.1.2. an exclusive license, with the right to sublicense 3M Affiliates, and third parties to the extent permitted by Article 11, under IMATION Foreground PI and IMATION Foreground Patents and under IMATION's interest in Joint Foreground PI and Joint Foreground

11. SUBLICENSE OF RIGHTS

- 11.1. Except as may be provided otherwise under Paragraph 15.3, Article 19 or elsewhere in this Agreement, a licensee under Article 2, 3, 6, 7, 9 or 10 may sublicense its rights under such Articles (except, in the case of Article 7, as expressly limited or prohibited by Paragraph 7.1.2 and 7.1.3) to third parties which are not Affiliates of the licensee only as follows:
- 11.1.1. For a period of five (5) years after the Distribution Date, a right non-exclusively licensed hereunder may be sublicensed to a third party only: i) as an ancillary part of the sale by the licensee to the third party of the business to which the sublicense pertains, ii) as an ancillary part of a broad crosslicensing program; iii) as an ancillary part of a business alliance relating to the development of a product or service; or iv) in the case of software, in the normal course of business in a manner comparable to the sale of a non-software product.
- 11.1.2. For a period of five (5) years after the Distribution Date, a right exclusively licensed hereunder may be sublicensed to any third party.
- 11.1.3. After the five (5) year period after the Distribution Date, rights whether non-exclusively or exclusively licensed hereunder may be sublicensed to any third party.
- 11.2. In any sublicense permitted under Paragraph 11.1.1 (i) of this Article 11, the Party granting the sublicense shall obtain from its sublicensee a paid-up, royalty-free, non-exclusive license for the other Party under any and all claims in any and all patents claiming inventions conceived by the sublicensee during the Foreground Period and resulting from the use of, or based upon technical Background PI and/or Assigned PI. The fields of such license when such other Party is 3M are the 3M Business Fields and Non-Exclusive Fields. The fields of such license when such other Party is IMATION are the IMATION Exclusive Fields, IMATION Supply Fields and Non-Exclusive Fields.
- 11.3. The Party granting a sublicense to a third party under this Article 11, or to an Affiliate under Article 2, 3, 4, 6, 7, 9 or 10, guarantees the performance of the sublicensee and compliance of the sublicensee with all the terms and conditions of this Agreement.

12. PATENT FILING, PROSECUTION AND MAINTENANCE AND EXCHANGE OF FOREGROUND PI

- 12.1. Patents Owned by a Single Party. Except as limited for Common Interest Patents below, each Party shall have the exclusive right to file, prosecute, issue and maintain all patent applications and patents, throughout the world, owned by that Party, and will bear all expense associated with their filing, prosecution, issuance and maintenance.
- 12.2. Common Interest Patents. The Parties will cooperate in the filing, prosecution and maintenance of each patent application or patent owned by one Party but specifically identified by the other Party as a Common Interest Patent, for so long as that patent application or patent remains designated as a Common Interest Patent. Ultimate prosecution control will remain with the Party that owns the patent application or patent, but that Party will provide the other Party with a reasonable opportunity to comment upon the application and prosecution strategy, and will in good faith consider such comments. Filing, prosecution and maintenance expenses and in-house and outside legal fees associated therewith will be

shared equally by the Parties for Common Interest Patents except as the Parties may agree differently in a separate writing between them.

- 12.3. Right to File on Joint Foreground Patents. If a joint invention is clearly directed primarily to subject matter for which only one Party has exclusive field of use rights hereunder, that Party shall have the right in the first instance to file, prosecute, issue and maintain throughout the world Joint Foreground Patents directed to that invention. If a joint invention is not clearly directed primarily to subject matter for which only one Party has exclusive field of use rights hereunder, then the Parties shall agree upon how to file, prosecute, issue and maintain throughout the world Joint Foreground Patents directed to that invention. The Parties agree to cooperate fully with each other in filing, prosecuting, issuing and maintaining such patent applications and patents throughout the world and agree to equally share all expenses and in-house and outside legal fees associated therewith. The Parties will agree upon the extent of interaction and review for each application on a case by case basis.
- 12.4. Proposed Abandonment of Common Interest or Joint Patents. If a Party which owns a Common Interest Patent or which has initially filed a Joint Foreground Patent elects not to file, continue to prosecute, issue or maintain the Common Interest Patent or the Joint Foreground Patent, or not to file equivalents in a particular country to the Common Interest Patent or Joint Foreground Patent, that Party shall give the other Party notice of such election promptly, and preferably at least two (2) months prior to any date that action must be taken to avoid abandonment or lapse. The other Party shall have the right to take over at its sole expense the filing, prosecution or maintenance of any such patent application or patent or equivalent, except in the situation where the Party electing not to proceed has done so so as to avoid disclosure of a trade secret such as through publication of a patent application which would disclose the trade secret. If the other Party takes over the filing, prosecution or maintenance of a Common Interest Patent, the electing Party shall assign all of its rights in the patent application or patent to the other Party, subject to the retention by the electing Party of a non-exclusive license therein, which license is commensurate in scope with the field of use rights the recipient thereof has under this Agreement. The Party electing not to file, prosecute or maintain a Common Interest Patent or a Joint Foreground Patent shall provide reasonable assistance to the other Party if the other Party files, prosecutes or maintains such Common Interest Patent or Joint Foreground Patent and shall execute and cause its employees, agents or consultants to execute such documents as are reasonably necessary (i) to vest ownership of such application or patent in the other Party (as appropriate); and (ii) for the other Party to file, continue prosecution or maintenance of such patent application or patent. Any Party filing, prosecuting or maintaining such patent application or patent after the other Party has elected not to file, prosecute or maintain such patent application or patent, shall have no liability to the other Party for that Party's acts or failure to act with respect to such patent application or patent, and may subsequently elect to discontinue to prosecute or maintain such patent application or patent.
- 12.5. Review of Proposed Patent Applications. The Parties recognize that in the course of preparing or prosecuting a patent application hereunder it may become apparent to a Party that proprietary information owned by the other Party, or otherwise of interest to the other Party such as in the case of an Extraordinarily Sensitive Technology, would have to be disclosed in the application or papers filed during prosecution of the application, including, without limitation, in an Information Disclosure Statement, for a resulting patent to be legally valid and enforceable. Upon recognizing such a situation, the first Party shall notify the second Party of

the potential need to disclose such information. The second Party will then have thirty (30) days to object to such disclosure with specificity of the concerns. If the second Party does not so object, the first Party may disclose as necessary to the relevant patent office. If the second Party does so object, the Parties will attempt to make a reasonable accommodation to allow disclosure of a sufficient amount of the information to meet the minimum legal requirements. If no such accommodation can be reached, such as in the case where the proprietary information is a trade secret owned by the second Party, the first Party will not disclose such information. In the event the first Party must file a patent application before the thirty (30) day notice period has expired to avoid potential loss of patent rights in one or more countries throughout the world, the first Party may do so in confidence in the U.S. Patent and Trademark Office or the United Kingdom Patent Office only. If agreement to disclose the information is not then forthcoming from the second Party, the first Party shall take the necessary steps to prevent the relevant application from being published.

- 12.6. Docketing. The Parties will establish mutually acceptable docketing systems and other procedures to ensure compliance with the various duties and obligations under this Article. Such docketing systems and other procedures shall provide a Party having a joint ownership interest in a patent application or an interest in a Common Interest Patent with sufficient information with respect to the status thereof to ensure preservation of its interests therein to the extent otherwise contemplated by this Article 12. For example, the Party having a joint ownership interest in a patent application or an interest in a Common Interest Patent shall be permitted to take any action necessary to avoid an unintentional or inadvertent abandonment by the other Party of the jointly owned patent application or the Common Interest Patent.
- 12.7. Exchange of Records of Invention. Each Party shall provide to the other Party Records of Invention disclosing inventions conceived during the Foreground Period and resulting from use of, or based upon Background PI and/or Assigned PI promptly after preparation thereof to permit the other Party to determine whether it intends to identify any invention disclosed therein as one to be claimed in a Common Interest Patent, and to comply with the disclosure of proprietary information contained in such Records of Invention as contemplated in this Agreement.
- 12.8. Symposia Regarding Extraordinarily Sensitive Technologies. The Parties shall meet for about four (4) hours every six (6) months during the Foreground Period to disclose to the other developments each Party has made relating to Extraordinarily Sensitive Technologies.

13. ASSIGNMENT OF RIGHT AND OBLIGATIONS UNDER CERTAIN EXISTING AND FUTURE AGREEMENTS

- 13.1. Assignment of Agreements of Interest Only to IMATION. Provided the agreements so permit, 3M shall assign to IMATION its rights and obligations in agreements with third parties which are effective on the Distribution Date and concern intellectual property relating only to IMATION Exclusive Fields, excluding 3M Business Fields. IMATION hereby accepts with all agreements so assigned any and all obligations undertaken by 3M under such agreements. In the event an agreement prohibits an assignment to IMATION, 3M shall use reasonable efforts in cooperating with IMATION in an endeavor to obtain approval of the third party to the agreement for an assignment thereof to IMATION.
- 13.2. Agreements of Interest to Both 3M and IMATION. 3M shall use reasonable efforts in cooperating with IMATION in an endeavor to provide IMATION with rights and obligations under agreements with third parties which are effective on the Distribution Date and concern intellectual property relating

to IMATION Exclusive Fields and/or IMATION Supply Fields, as well as other fields. IMATION hereby accepts, with the partial assignment of rights under such agreements, such obligations undertaken by 3M under such agreements which are commensurate in scope with the rights provided to IMATION thereunder. The rights and obligations endeavored to be provided to IMATION are intended to be commensurate in scope with the intellectual property rights received by IMATION under this Agreement.

- 13.3. Future Agreements. Each Party shall provide in all future agreements with third parties provisions sufficient to carry out its obligations under this Agreement.

14. TECHNICAL AND OTHER COOPERATION, NOTEBOOKS AND ACCESS TO DOCUMENTS

14.1. Existing and Future Joint Development Projects. Joint development projects in progress on the Distribution Date between a laboratory being transferred to IMATION on the Distribution Date and a laboratory remaining with 3M on the Distribution Date or projects to be initiated between the Parties after the Distribution Date shall be made the subject of a written joint development agreement to be negotiated between the Parties. The Parties expect that the contents of joint development agreements pursuant to this Paragraph 14.1 will typically be substantially of the form contained in Exhibit N, but the Parties may agree otherwise.

14.2. Consulting Services. The Parties contemplate that they may enter into agreements relating to provision by one Party to the other of technical and other consulting services. The Parties expect that the contents of such agreements pursuant to this Paragraph 14.2 will typically be substantially of the form contained in Exhibit O, but the Parties may agree otherwise.

14.3. Notebooks. All notebooks existing on the Distribution Date and in the possession of 3M businesses being transferred to IMATION shall have been made current up to the Distribution Date and shall be signed off before the Distribution Date. All such notebooks shall be retained and owned by 3M. IMATION shall have reasonable access to such notebooks to permit IMATION to exercise the rights granted to it under this Agreement.

14.4. Access to Other Documents, Data and Other Services. Each Party will provide the other Party with reasonable access to documents, data, information services and the like to the extent generally contemplated by the rights granted to the other Party under this Agreement. To the extent such data already exists in electronic form, this access will include providing relevant data to the other Party in electronic form, in such format as the other Party may reasonably request. Provision of information and other services may also be contemplated in other written agreements between the parties.

15. CONFIDENTIALITY AND PARTIES AS THIRD PARTY BENEFICIARIES

15.1. Restrictions on Use and Disclosure of Business Confidential Information. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the Parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the Distribution Date shall be considered to be the Distribution Date.

- 15.2. Restrictions on Use and Disclosure of Technical Confidential Information. Except as provided otherwise elsewhere in this Agreement or in a separate written agreement between 3M and IMATION including, but not limited to, any agreement pursuant to Paragraph 14.1 or 14.2, 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.
- 15.3. Confidential Information Relating to Extraordinarily Sensitive Technologies. The Parties have agreed upon a list of Extraordinarily Sensitive Technologies which involve Confidential Information that is considered to be extraordinarily sensitive. These technologies are identified on a list which has been exchanged by the Parties. Certain of the Extraordinarily Sensitive Technologies are primarily used by one Party and of primary commercial importance to that Party. Others are used substantially by both Parties and those Extraordinarily Sensitive Technologies are of significant commercial importance to both Parties. All of these Extraordinarily Sensitive Technologies shall be subject to the special treatment set forth in Exhibit P. Any Extraordinarily Sensitive Technology which finds its primary commercial importance in one Party will be treated under the restrictions set forth in Exhibit P by the other Party as well as any sublicensee of such other Party and any third party manufacturing product under such other Party's "have manufactured" rights or any other transferee of such other Party. No sublicense or other transfer, whether for purposes of exercising "have manufactured" rights or otherwise, of any rights or use of the Extraordinarily Sensitive Technology shall occur without the prior written approval of the Party which is the primary commercial user of that Extraordinarily Sensitive Technology. Any Extraordinarily Sensitive Technology which finds substantial commercial importance in both Parties shall not be sublicensed or otherwise transferred by either Party without the prior written approval of the other Party. Any such sublicense or other transfer of the Extraordinarily Sensitive Technology shall be subject to the restrictions set forth in Exhibit P.
- 15.4. Reasonable Efforts. Each Party shall protect Confidential Information hereunder by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other Party's Confidential Information as the Party uses to protect its own confidential information of a like nature, including the heightened degree of care for Confidential Information which has been designated as relating to an Extraordinarily Sensitive Technology by the other Party pursuant to Paragraph 15.3.
- 15.5. Disclosure to Affiliates and Licensees; Binding Effect. Each Party may disclose Confidential Information to third parties, such as potential sublicensees, in the normal course of its business and consistent with the rights expressly reserved by and/or licensed to it under this Agreement and consistent with any other restrictions on the disclosure of Confidential Information in this Agreement including, but not limited to, those contained in this Article 15. Each Party shall insure that its Affiliates, sublicensees and other transferees agree in writing to be bound by restrictions on use and disclosure of Confidential Information at least as stringent as those which bind the Party in advance of the disclosure of Confidential Information to any Affiliate, sublicensee or other transferee.
- 15.6. 3M as Third Party Beneficiary in Event Third Party Breaches CDA With IMATION. 3M shall have the right to bring a lawsuit for injunction and/or other remedy directly against any third party which is violating restrictions on use or disclosure of

3M Confidential Information which was disclosed to the third party under a confidentiality agreement between that third party and IMATION. IMATION shall cooperate in all reasonable respects with 3M in any such litigation.

15.7. IMATION as Third Party Beneficiary in Event Third Party Breaches CDA With 3M. IMATION shall have the right to bring a lawsuit for injunction and/or other remedy directly against any third party which is violating restrictions on use or disclosure of IMATION Confidential Information which was disclosed to the third party under a confidentiality agreement between that third party with 3M. 3M shall cooperate in all reasonable respects with IMATION in any such litigation.

16. EMPLOYEE AGREEMENTS

16.1. IMATION Employee Agreements. IMATION shall determine the individual IMATION Employees, or classes of IMATION Employees, who must execute an IMATION Employee Agreement as a condition of employment with IMATION. The IMATION Employee Agreement shall contain terms and conditions which are consistent with and effectuate the terms of this Agreement. The portions of the initial version of the IMATION Employee Agreement relating to rights under this Agreement shall be in a form which is acceptable to 3M prior to its use.

16.2. Survival of 3M Employee Agreement Obligations and 3M's Common Law Rights. The 3M Employee Agreements of all Former 3M Employees shall remain in full force and effect according to their terms; provided, however, that 3M shall not consider any of the following acts committed by Former 3M Employees within the scope of their IMATION employment to constitute a breach of such 3M Employee Agreements: (i) the use or disclosure of Confidential Information (as that term is defined in the Former 3M Employee's 3M Employee Agreement) for or on behalf of IMATION, if such use or disclosure is consistent with the license rights granted to IMATION under this Agreement, (ii) the disclosure and assignment to IMATION of rights in Inventions authored or conceived by the Former 3M Employee after the Distribution Date of this Agreement and resulting from the use of, or based upon Background PI and/or Assigned PI (as Inventions are defined in the Former 3M Employee's 3M Employee Agreement) and (iii) the rendering of any services, directly or indirectly, to IMATION to the extent such services are consistent with the assignment or license of rights granted to IMATION under this Agreement. IMATION shall remind all Former 3M Employees transferred to or hired by IMATION during the period beginning with the Distribution Date and ending five (5) years thereafter of their obligations under the 3M Employee Agreement. Further, 3M retains any rights it has under statute or common law vis-a-vis actions by its former employees who did not execute 3M Employee Agreements to the extent such actions are inconsistent with the rights granted to IMATION under this Agreement.

16.3. Assignment, Cooperation for Compliance and Enforcement.

16.3.1. 3M retains all rights under the 3M Employee Agreements of all Former 3M Employees necessary to permit 3M to protect the rights and interests of continuing 3M businesses, but hereby transfers and assigns to IMATION its rights under the 3M Employee Agreements of all Former 3M Employees to the extent required to permit IMATION to enjoin, restrain, recover damages from or obtain specific performance of the 3M Employee Agreements or obtain other remedies against any employee who breaches his/her 3M Employee Agreement, to the extent necessary to permit IMATION to protect the rights and interests of the 3M businesses being transferred to IMATION on the Distribution Date. IMATION agrees to perform the obligations of 3M under the 3M Employee Agreements of Former 3M Employees necessary to enable IMATION to enforce said agreement including, without limitation, the obligation to compensate any Former 3M Employee

who is unable to obtain employment consistent with his/her abilities and education solely as a consequence of the covenant not to compete contained in the 3M Employee Agreement. IMATION acknowledges that 3M background proprietary information which is not Background PI or Assigned PI is not licensed or assigned to IMATION under this Agreement. Consequently, IMATION shall assist 3M in obtaining the entire right, title and interest to intellectual property (whether patented or not) resulting from activities constituting a breach of the 3M Employee Agreement by an employee who was in IMATION's employ at the time of the breach, such assistance including, but not being limited to, assigning to 3M any patent or patent application claiming inventions resulting from breach of a 3M Employee Agreement and inadvertently filed by IMATION.

- 16.3.2. 3M and IMATION agree, at their own respective cost and expense, to use their reasonable efforts to cooperate as follows: (i) IMATION shall advise 3M of: (a) any possible violation(s) of the 3M Employee Agreement by Former 3M Employees, and (b) any possible violation(s) of the IMATION Employee Agreement which affect 3M's rights under this Agreement; (ii) 3M shall advise IMATION of any possible violations of the 3M Employee Agreement by current or former 3M Employees which affect IMATION's rights under this Agreement; and (iii) each Party shall advise the other of the identity of the subsequent employer of each such employee leaving the employ of IMATION or 3M, as the case may be, during a period of five (5) years after the Distribution Date, to the extent known and necessary to permit the other Party to protect its rights and interests under that former employee's Employee Agreement.
- 16.3.3. 3M and IMATION each may separately enforce the 3M Employee Agreements of Former 3M Employees to the extent necessary to reasonably protect their respective interests, provided, however, that IMATION shall not commence any litigation relating thereto without first consulting with 3M's Chief Intellectual Property Counsel. If either Party, in seeking to enforce any 3M Employee Agreement, notifies the other party that it requires, or desires, the other Party to join in such action, then the other Party shall do so. In addition, if either Party commences or becomes a party to any action to enforce a 3M Employee Agreement of a Former 3M Employee, the other Party shall, whether or not it becomes a party to the action, cooperate with the other Party by making available its files and employees who have information or knowledge relevant to the dispute, subject to appropriate measures to protect the confidentiality of any proprietary or confidential information that may be disclosed in the course of such cooperation or action.
- 16.3.4. 3M and IMATION understand and acknowledge that matters relating to the making, performance, enforcement, assignment and termination of employee agreements are typically governed by the laws and regulations of the national, federal, state or local governmental unit where an employee resides, or where an employee's services are rendered, and that such laws and regulations may supersede or limit the applicability or enforceability of Paragraphs 16.1 to 16.3. In such circumstances, 3M and IMATION agree to take action with respect to the employee agreements that best accomplishes the Parties' objectives as set forth in Paragraphs 16.1 to 16.3 and which is consistent with applicable law.

- 17.1. Enforcement of Solely Owned IP. Except as provided in Paragraph 17.2, each Party shall have the exclusive right to enforce any intellectual property rights owned solely by it, and any decision on the institution or continuation of any litigation thereunder shall be that Party's. The expenses associated with such enforcement shall be borne by such Party and any damage award shall be retained by such Party, unless the Parties agree otherwise. To the extent the intellectual property rights to be enforced under this Paragraph 17.1 were assigned by 3M to IMATION under this Agreement, IMATION shall provide reasonable notice to 3M prior to instituting such a lawsuit, and shall advise 3M periodically during the course of the lawsuit of any developments in the litigation, to facilitate a determination that the lawsuit can be initiated and continued without providing significant legal exposure to 3M which cannot be totally compensated for by the indemnification contemplated in Paragraph 17.3.
- 17.2. Enforcement By Party Having Exclusive License. A Party which has received under this Agreement an exclusive license under any intellectual property that is owned by the other Party may institute a lawsuit against a third party for patent infringement of such claim or continue a lawsuit initially brought by the Party owning the intellectual property, provided that:
- 17.2.1. the Party owning the patent has elected not to institute a lawsuit under Paragraph 17.1 within sixty (60) days of a request to do so by the exclusively licensed Party (or within a reasonable, shorter period of time in the event the exclusively licensed Party is reasonably concerned about the likelihood of a declaratory judgment being filed by a third party in respect to the patent, will be seeking a preliminary injunction against the third party or otherwise may have its interests significantly injured if immediate action is not taken), or having instituted such a lawsuit, the Party owning the patent subsequently determines that it wishes to terminate the lawsuit, by settlement or otherwise;
- 17.2.2. the patent does not cover an invention of overriding potential commercial importance or value or actual commercial importance or value to the Party owning the patent; and
- 17.2.3. such a lawsuit can be instituted or continued without providing significant legal exposure to the owner of the patent which cannot be totally compensated for by the indemnification contemplated in Paragraph 17.3.

The Party owning such patent shall join in any such litigation if necessary for the exclusive licensee to bring or maintain the lawsuit. All expenses associated with such litigation shall be borne by the exclusive licensee, including the expenses incurred by the Party owning the patent if it is required to join in such litigation, except for expenses associated with the owner's independent representation by counsel, and all recovery from such litigation shall accrue to the exclusively licensed Party. The exclusive licensee shall not initiate any activity vis-a-vis any third party which could provide a basis for a declaratory judgment action brought by that third party against the patent owner unless the exclusive licensee has first obtained the right to bring a lawsuit under this Paragraph 17.2.

- 17.3. Indemnification. The Party owning intellectual property which is being enforced pursuant to Paragraph 17.1 shall indemnify the other Party and hold such other Party harmless in respect to any damages or other costs of any type, reasonably related to the intellectual property rights being enforced under Paragraph 17.1 (but not related to any counterclaim for infringement against such other Party), payable to third parties as a result of litigation pursuant to Paragraph 17.1.

The exclusively licensed Party which is enforcing intellectual property pursuant to Paragraph 17.2 shall indemnify the Party owning the patent and hold such Party harmless in respect to any damages or other costs of any type, reasonably related to the intellectual property rights being enforced under Paragraph 17.2 (but not related to any counterclaim for infringement against the Party owning the patent), payable to third parties as a result of litigation pursuant to Paragraph 17.2.

17.4. Enforcement of Joint Patents Outside Exclusive Field. The Parties shall cooperate in enforcing Joint Foreground Patents in the Non-Exclusive Fields or other fields outside of 3M Business Fields, IMATION Exclusive Fields and IMATION Supply Fields and shall share in all expenses associated therewith and in any damage award received as a result thereof. However, either Party may elect not to participate or continue to participate in any such litigation. The Party so electing shall not share in the expenses incurred in such litigation after such election, and shall not share in any damage award received as a result. Further, the Party electing not to participate or continue to participate shall be indemnified and held harmless by the other Party in respect to any damages or other costs of any type payable to third parties as a result of such litigation. Notwithstanding anything expressed or implied to the contrary, in the event the patent contains a claim of overriding potential or actual commercial importance or value to a Party, the other Party may not institute an action hereunder without the first Party's written consent.

17.5. Enforcement of Joint Patents in Exclusive Field. For Joint Patents under which one Party has granted the other an exclusive license, the licensed Party may bring suit in its exclusive fields under Paragraph 17.1 as if the patent were solely owned by that Party. The Party electing to file such a suit shall indemnify and hold harmless the other Party in respect to any damages or other costs of any type, reasonably related to the intellectual property rights being enforced under this Paragraph 17.5 (but not related to any counterclaim for infringement against such other Party), payable to third parties as a result of such litigation. Notwithstanding anything expressed or implied to the contrary, in the event the patent contains a claim of overriding potential or actual commercial importance or value to a Party, the other Party may not institute an action hereunder without the first Party's written consent.

17.6. "Overriding" Interest. In evaluating whether a Party's interests in a patent under this Article are "overriding," the Parties shall consider the materiality of the patent to the particular business to which it relates in both Parties, and the relative significance of the patent and the litigation to those businesses.

17.7. Enforcement of Rights Relating to Proprietary Information. Enforcement of proprietary information rights licensed under this Agreement shall be handled in a fashion consistent with enforcement of patent rights hereunder.

18. SPECIAL PROVISIONS REGARDING CERTAIN FIELD

18.1. "Aurora". IMATION's exploitation of the technology described in Paragraph IV of Exhibit D hereto shall be subject to the following conditions:

18.1.1. IMATION shall i) keep 3M advised of IMATION's endeavors to select partners to develop and commercialize such technology; ii) consider in good faith partners proposed by 3M to be involved in development and/or commercialization; iii) provide 3M a first right to negotiate with IMATION for rights to supply soft goods such as toner to IMATION; iv) provide 3M a first right to negotiate with IMATION for rights to use the technology in overhead transparency applications; and v) provide 3M a first

right to negotiate with IMATION and its partners for rights to adapt and use the technology in signage applications, label applications, and textile printing applications and to supply soft goods such as toner to IMATION and its partners for such applications; and

18.1.2. IMATION shall not itself exploit or partner with or license any third party to exploit such technology specifically for generating graphics on products comprising retroreflective substrates.

19. NON-COMPETE

19.1. For a period of five (5) years after the Distribution Date, except for i) an ancillary activity involving an insubstantial business, ii) resale of products or services purchased from IMATION, or iii) making and using magneto-optical and optical media for use with such Blue-Green Diode Lasers which embody intellectual property owned by 3M, 3M and its Affiliates shall not intentionally engage directly or indirectly in the sale of products or services which compete with products or services within the IMATION Exclusive Fields or IMATION Supply Fields. A non-limiting example of activity which constitutes "engaging indirectly" under this Paragraph 19.1 is 3M or a 3M Affiliate working with a third party in focused joint promotion of a 3M product with a product of the third party which competes with a product in the IMATION Exclusive fields. This Paragraph 19.1 shall not preclude 3M and 3M Affiliates from indirect activity involving continued selling of products or services sold on the Distribution Date by businesses remaining with 3M (and to exploit the normal progression of such products and services using similar standards as employed by 3M before the Distribution Date) to customers involved in the IMATION Exclusive Field.

19.2. For a period of five (5) years after the Distribution Date, except for i) an ancillary activity involving an insubstantial business, ii) resale of products or services purchased from 3M, or iii) making and using Blue-Green Diode Lasers independently of intellectual property owned by 3M, IMATION and IMATION Affiliates shall not engage directly or indirectly in the sale of products or services which compete with products or services in the 3M Business Fields (defined as in Paragraph 1.5. ii)). A non-limiting example of activity which constitutes "engaging indirectly" under this Paragraph 19.2 is IMATION or an IMATION Affiliate working with a third party in focused joint promotion of an IMATION product with a product of the third party which competes with a product in 3M Business Fields (as defined in Paragraph 1.5. ii)). This Paragraph 19.2 shall not preclude IMATION and IMATION Affiliates from indirect activity, outside of the 3M Reserved Fields, involving working with a third party on that party's image and electronic information processing (i.e., capture, movement, storage, access, retrieval, conversion, organization and output of information) needs, internal or external, as long as the activity does not benefit, in more than in an ancillary way, a product or service of the third party which competes with a product or service in the 3M Business Fields (as defined in Paragraph 1.5. ii)) outside of the 3M Reserved Fields. Further, this Paragraph 19.2 shall not preclude IMATION and IMATION Affiliates from indirect activity involving continued selling of products or services sold on the Distribution Date by businesses being transferred to IMATION (and to exploit the normal progression of such products and services using similar standards employed by 3M before the Distribution Date) to customers involved in the 3M Business Fields (as defined in Paragraph 1.5. ii)).

20. INDEMNIFICATION

20.1. By 3M. 3M shall indemnify and hold IMATION and its Affiliates harmless from any and all loss or liability, evolving out of the relationship established by this Agreement, for any and all claims, causes of action, suits, proceedings, losses,

damages, demands, fees, expenses, fines, penalties and costs (including without limitation reasonable attorney's fees, costs and disbursements) arising from any injury or alleged injury to any third person or business for property damage, personal injury or incidental, special or consequential damages caused by any products made or processes performed by 3M, an Affiliate thereof, or a licensee or sublicensee of either other than IMATION or an Affiliate thereof.

20.2. By IMATION. IMATION shall indemnify and hold 3M and its Affiliates harmless from any and all loss or liability, evolving out of the relationship established by this Agreement, for any and all claims, causes of action, suits, proceedings, losses, damages, demands, fees, expenses, fines, penalties and costs (including without limitation reasonable attorney's fees, costs and disbursements) arising from any injury or alleged injury to any third person or business for property damage, personal injury or incidental, special or consequential damages caused by any products made or processes performed by IMATION, an Affiliate thereof, or a licensee or sublicensee of either other than 3M or an Affiliate thereof.

20.3. Claims. A Party (the "indemnitee") which intends to claim indemnification under this Article 20 shall promptly notify the other Party ("the indemnitor") in writing of any action, claim or liability in respect of which the indemnitee or any of its employees or agents intend to claim such indemnification. The indemnitee shall permit, and shall cause its employees and agents to permit, the indemnitor to settle any such action, claim or liability and agrees to the control of such defense or settlement by the indemnitor; provided, however, that such settlement does not adversely affect the indemnitee's rights hereunder or impose any obligations on the indemnitee in addition to those set forth herein. No such action, claim or liability shall be settled without the prior written consent of the indemnitor to the extent the indemnitor has responsibility or liability for any portion of such settlement, and the indemnitor shall not be responsible for any attorneys' fees or other costs incurred other than as provided herein. The indemnitee, its employees and agents, shall cooperate fully with the indemnitor and its legal representatives in the investigation and defense of any action, claim or liability covered by this indemnification. The indemnitee shall have the right, but not the obligation, to be represented by counsel of its own selection and at its own expense.

20.4. Insurance. Each Party shall maintain commercial general liability insurance, including products liability and contractual liability coverage, in an amount and for a time period which will cover the liability assumed by that Party under this Agreement, provided that each Party shall have the right to be self-insured for at least a portion of such amount. Each Party shall provide the other upon request with a certificate of insurance evidencing the existence of these coverages.

21. DISCLAIMERS

21.1. Limitation of Liabilities. NEITHER 3M NOR IMATION SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO THE OTHER FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, REVENUE OR BUSINESS) RESULTING FROM OR IN ANY WAY RELATED TO THIS AGREEMENT EXCEPT TO THE EXTENT SUCH DAMAGES ARE PAYABLE TO A THIRD PARTY AND ARE INDEMNIFIED BY A PARTY PURSUANT TO ARTICLE 17 OR 20. This limitation applies regardless of whether such damages are sought based on breach of contract, negligence or any other legal theory.

21.2. No Warranty of Non-Infringement. In entering into this Agreement, neither Party is representing to the other that any right licensed or assigned hereunder to the other Party can be practiced or otherwise exploited without infringement of patent, trade secret, trademark, copyright or other

intellectual property rights of third parties.

- 21.3. "As-is" Basis of Licenses and Assignments. Each Party recognizes that any license or assignment of intellectual property received under this Agreement is on an "as-is" basis with no representations or warranties whatsoever as to the validity or scope of the intellectual property rights so licensed or assigned.

22. DISPUTE RESOLUTION

- 22.1. Either Party may invoke the dispute resolution process of this Article upon notice to the other Party that it believes a dispute has arisen between the Parties relating to the making or performance of this Agreement, including, but not limited to, any act or failure to act by said other Party which the Party providing notice believes constitutes a material breach hereof. Any such dispute shall be resolved in the following order of preference:
- 22.1.1. by good faith negotiation between executives of 3M and IMATION who have authority to fully and finally resolve the dispute;
 - 22.1.2. if necessary, by non-binding mediation at a location acceptable to both Parties using a neutral mediator having experience with the industry under the Center for Public Resources Model Procedure for Mediation of Business Disputes (with the costs therefor shared equally); or
 - 22.1.3. as a last resort only, by binding arbitration of disputes concerning inventorship or involving a risk that a trade secret could be disclosed publicly or otherwise compromised if litigated, or by litigation of any other disputes, including disputes pertaining to Article 25.
- 22.2. In the case of negotiation or mediation under Paragraph 22.1.1 or 22.1.2, the following executives (as well as such other persons as they may deem appropriate) will be personally involved in such negotiations or mediation depending upon the subject matter of the dispute:
- 22.2.1. For disputes relating to intellectual property (including, without limitation, inventorship, scope of license, scope of fields, enforcement) other than trademarks or trade dress, each Party's respective Vice President of Research and Chief Intellectual Property Counsel, or designates of any of them.
 - 22.2.2. For disputes relating to trademarks or trade dress, each Party's respective Vice President of Marketing and Chief Intellectual Property Counsel, or designates of any of them.
 - 22.2.3. For disputes in respect to non-competition issues, each Party's respective Chief Executive Officer, General Counsel and Chief Intellectual Property Counsel, or designates of any of them.
- 22.3. Treatment of Negotiations and Mediations. All negotiations and mediations pursuant to this Article shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable state rules of evidence.
- 22.4. Disputes Subject to Binding Arbitration. Disputes regarding inventorship (the process for which is further detailed in Paragraph 22.6) and disputes which involve a risk that a trade secret could be disclosed publicly or otherwise compromised if litigated shall be subject to binding arbitration. If litigation is initiated relative to a dispute, and subsequent to such initiation it is realized by a Party that there is a risk of public disclosure or other compromise of a trade

secret if the litigation continued, that Party may request that the litigation be terminated and that the dispute be sent to arbitration. If there is a disagreement between the Parties as to whether the dispute should be sent to arbitration, the court where the litigation is pending shall be asked to take evidence in camera and decide if the dispute should be sent to arbitration under this provision. The Party asserting that a trade secret could be disclosed publicly or could otherwise be compromised in resolving the dispute shall bear the burden of proof by a preponderance of the evidence.

- 22.5. Arbitration Procedures. If the Parties are unable to resolve any dispute that is subject to arbitration under this Article 22 by negotiation or mediation under Paragraphs 22.1.1 and 22.2.2, they agree to submit such dispute to binding arbitration under the Center for Public Resources Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes. The Parties agree to employment of a single arbitrator in resolving any such dispute. The Federal Rules of Civil Procedure and the Federal Rules of Evidence shall be applicable except where they may conflict with the more explicit process for resolving inventorship disputes set forth in Paragraph 22.6. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one Party to the other Party identifying a dispute subject to arbitration under this Paragraph 22.5 and requesting arbitration after having participated in negotiation under Paragraph 22.1.1 and mediation under Paragraph 22.1.2.
- 22.6. Disputes Regarding Inventorship. In addition to the procedure set forth in Paragraph 22.5, the following shall apply to arbitration of disputes regarding inventorship. The arbitrator shall be an independent patent attorney residing in the United States and registered to practice before the United States Patent and Trademark Office. The arbitrator shall resolve the inventorship dispute in accordance with the laws of the United States within three (3) months of his or her appointment. The Parties agree to supply to the arbitrator such documentary evidence of inventorship as they wish to rely upon together with a written statement of their position not to exceed twenty (20) pages in length within twenty (20) days of the appointment of the arbitrator. Unless the Parties agree to rely on affidavits, the arbitrator shall set a hearing at which each Party shall have up to eight (8) hours to present witnesses and to cross examine the witnesses for the other Party. If there is a hearing, each Party shall provide a statement summarizing the anticipated testimony of each witness it may have testify to the other Party and the arbitrator at least fifteen (15) days in advance of the hearing. The arbitrator's award shall be in writing not to exceed twenty (20) pages in length and shall include reasoning in support of the award. The resolution of the arbitrator shall be final and binding on the Parties, without right of appeal.
- 22.7. Confidentiality. All negotiation, mediation and arbitration proceedings under this Article shall be treated as Confidential Information in accordance with the provisions of Article 15. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions at least as restrictive as those contained in Article 15.
- 22.8. Equitable Relief. Nothing herein shall preclude either Party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other Party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either Party may seek specific enforcement of any arbitrator's decision under this Article. The other Party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.
- 22.9. Governing Law; Personal Jurisdiction. Any questions, claims,

disputes, remedies or procedural matters shall be governed exclusively by the laws of the State of Minnesota, without regard to the principles of conflicts of law. The Parties agree that Minnesota has a substantial relationship to this transaction, and each Party consents to personal jurisdiction in the courts of Minnesota.

23. AMENDMENT

- 23.1. Written Amendment. This Agreement, including any Exhibits hereof, may not be modified, amended or discharged except as expressly stated in this Agreement or by a written agreement signed by an authorized representative of each Party.
- 23.2. Proposed Amendments. With a transaction of this magnitude, it is anticipated by both Parties that amendments may need to be made to this Agreement. Any proposed amendment to this Agreement, including any Exhibit hereof, relating to intellectual property other than trademarks or trade dress shall be negotiated by each Party's respective Vice President of Research and Development and Chief Intellectual Property Counsel, or by designates of any of them. Any proposed amendment relating to trademarks or trade dress shall be negotiated by each Party's respective Vice President of Marketing and Chief Intellectual Property Counsel, or by designates of any of them. Any proposed amendment relating to non-competition issues shall be negotiated by each Party's respective Chief Executive Officer, General Counsel and Chief Intellectual Property Counsel, or by designates of any of them.

24. TERM AND TERMINATION

- 24.1. Expiration. This Agreement shall expire upon expiration of the last right licensed or retained hereunder.
- 24.2. Termination. While this Agreement may not be terminated in whole by either Party, a Party may terminate license and other rights granted to the other Party as follows:
- 24.2.1. 3M may terminate all license and other rights granted to IMATION under this Agreement as provided in Article 25;
- 24.2.2. 3M may terminate license rights granted to IMATION under the Licensed Trademarks and Licensed Trade Dresses under Article 4 as provided in Article 4; or
- 24.2.3. subject to applicable bankruptcy laws, a Party may terminate all license and other rights granted to the other Party under this Agreement upon written notice to such other Party if such other Party becomes insolvent or acknowledges its insolvency in any manner, or if a receiver or receiver-manager is appointed in respect of such other Party's business, or if a petition in bankruptcy is instituted by or against such other Party, or if such other Party makes a general assignment for the benefit of its creditors.
- 24.3. Reassignment. Any rights assigned to IMATION under Articles 3 and 5 shall be promptly reassigned to 3M upon any termination by 3M under Paragraphs 24.2.1 or 24.2.3.

25. CHANGE IN CONTROL OR OWNERSHIP OF IMATION

- 25.1. For five (5) years after the Distribution Date, 3M shall have the right to terminate a portion or all of IMATION's rights under this Agreement in the event that the direct or beneficial ownership of IMATION or of IMATION's business or assets changes, in whole or in part, through merger or otherwise, such that because of the ownership change a person or a group can significantly impact, or control directly or indirectly, the business of IMATION or the direction of IMATION's business. This right to terminate by 3M shall not be

exercised except for good cause due to the reasonable likelihood that the change in ownership will result in substantially enhanced competition to a significant existing 3M business or an anticipated business involving significant development activities by or on behalf of 3M at the Distribution Date and the extent of the rights terminated shall be commensurate in scope with the enhanced competition reasonably likely to result but for the termination of the rights, provided that 3M shall further have the right to terminate all licenses granted under Article 4 of this Agreement. The effective date of any such termination by 3M of rights granted to IMATION under this Agreement shall be considered to be the effective date of notice pursuant to Paragraph 26.1 of 3M's decision to terminate such rights.

26. MISCELLANEOUS

26.1. Notices. All notices or reports shall be delivered personally or by first class mail to the following addresses, or by facsimile transmission to the following phone numbers, of the respective Parties:

To 3M: Chief Intellectual Property Counsel
3M Office of Intellectual Property Counsel
3M Center
Post Office Box 33427
Saint Paul, Minnesota 55133-3427
Telephone: 612-733-8904
Facsimile: 612-733-9155

To IMATION: General Counsel
Imation Corp.
P.O. Box 64898

Saint Paul, Minnesota 55164-0898
Telephone: 612-_____
Facsimile: 612-_____

Notices shall be effective upon receipt if personally delivered or sent by facsimile transmission, or on the business day following the date of mailing. Any change of address of a Party shall be promptly communicated in writing to the other Party.

26.2. Assignment. Neither this Agreement nor any right or obligation hereunder shall be assignable by either Party without the prior written consent of the other Party and any purported assignment without such consent shall be void; provided, however, that 3M may assign this Agreement without such consent in connection with the sale of substantially all of its business to which this Agreement relates. Any permitted assignee shall assume all obligations of 3M under this Agreement. No assignment shall relieve 3M of responsibility for the performance of any accrued obligation which 3M then has hereunder. IMATION shall not grant multiple sublicenses to one or more third parties to the extent otherwise permitted under this Agreement in a concerted fashion in an attempt to assign de facto, during the five (5) year period after the Distribution Date, substantially all of the benefits of the intellectual property rights received by IMATION hereunder to said third party(ies).

26.3. Succession. This Agreement shall bind the Parties and any permitted successors in interest to the Parties, trustees, or assigns.

26.4. Force Majeure. If the performance of this Agreement or any obligations under this Agreement is prevented, restricted, or interfered with by reason of fire, flood, explosion, or other casualty, accident, or act of God; strikes or labor disturbances; war, whether declared or not, or other violence; sabotage; any law, order, proclamation, regulation, ordinance, demand, or requirement of any government agency; or any other event beyond the reasonable control of the Parties, the affected Party, upon giving prompt notice to the other Party,

- shall be excused from such performance to the extent of such prevention, restriction, or interference. The affected Party shall use its reasonable efforts to avoid or remove such cause of non-performance or to limit the impact of the event on such Party's performance and shall continue performance with the utmost dispatch whenever such causes are removed.
- 26.5. Export Controls. A recipient hereunder of technical data or products agrees to comply with all United States Department of Commerce and other United States export controls. Each Party agrees that, unless prior authorization is obtained from the Office of Export Administration, it will not knowingly ship or transfer technical data covered by this Agreement or any direct product of such technical data, directly or indirectly, to any country in contravention of any Office of Export Administration requirement.
- 26.6. No Other Licenses. Nothing in this Agreement shall be construed as granting any licenses other than those explicitly granted herein.
- 26.7. Entire Agreement. This Agreement and its Exhibits set forth the entire agreement between the Parties relating to intellectual property and supersede all previous agreements and understandings, whether oral or written, between the Parties with respect to the subject matter of this Agreement, except that this Agreement is a part of the entire set of agreements relating to the spin-off of IMATION by 3M, and is to be construed as such, and specifically does not supersede any intellectual property provisions in agreements (such as Supply Agreements or Joint Development Agreements) relating to specific products or programs.
- 26.8. Separability. The provisions of this Agreement shall be deemed separable. If any provision in this Agreement shall be found or be held to be invalid or unenforceable in any jurisdiction in which this Agreement is performed, then the meaning of that provision shall be construed, to the extent feasible, to render the provision enforceable, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement which shall remain in full force and effect unless the provisions that are invalid or unenforceable substantially impair the value of all the Agreements involved in the spin-off to either Party.
- 26.9. Waiver. No waiver of any term, provision or condition of this Agreement whether by conduct or otherwise in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such term, provision or condition or of any other term, provision or condition of this Agreement.
- 26.10. Relationship of Parties. Each of the Parties hereto is an independent contractor and nothing herein shall be deemed to constitute the relationship of partners, joint venturers, nor of principal and agent between the Parties hereto.
- 26.11. Guaranty Affiliates. Each Party guarantees the performance and fulfillment of all obligations of its Affiliates under this Agreement.
- 26.12. Authority. Each Party has the full right, power, and authority to execute and deliver this Agreement and to perform its terms. The execution and delivery of this Agreement and the consummation of the transactions required by this Agreement will not violate or conflict with any charter provision or bylaw of either Party or any of its Affiliates. Each Party has taken all required corporate actions to approve and adopt this Agreement. This Agreement is enforceable against each Party according to its terms, subject to bankruptcy, insolvency, and other laws relating to or affecting creditors' rights and to general equity principles. Each Party represents and warrants that the person or persons executing this Agreement on its behalf are duly authorized and empowered to do so.
- 26.13. Headings. The article and paragraph headings in this Agreement

are inserted for convenience only and shall not constitute a part hereof.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in duplicate as of the date and year first above written.

Attest: _____ IMATION CORP.
By: _____
William T. Monahan
Chief Executive Officer
Date: _____

Attest: _____ MINNESOTA MINING AND
MANUFACTURING COMPANY
By: _____
Livio D. DeSimone
Chairman and Chief Executive Officer
Date: _____

EXHIBIT A
3M BUSINESS FIELDS

THE PRODUCTS SET FORTH BELOW ARE TO BE CONSTRUED IN THE CONTEXT OF THE BUSINESSES AND TECHNOLOGIES OF 3M AND IMATION AS OF THE DISTRIBUTION DATE, AND THE NORMAL PROGRESSION OF SUCH BUSINESSES AND TECHNOLOGIES, AND ARE NOT TO BE CONSTRUED JUST IN THE CONTEXT OF PRODUCTS SOLD BY 3M OR IMATION AS OF THE DISTRIBUTION DATE. FURTHER, AS DEFINED IN PARAGRAPH 1.5 AND IN RESPECT TO ALL REFERENCES TO 3M BUSINESS FIELDS EXCEPT THOSE IN ARTICLE 19, 3M BUSINESS FIELDS MEANS THE FIELDS IDENTIFIED BELOW TO THE EXTENT THAT SUCH FIELDS ARE OUTSIDE THE SCOPE OF THE IMATION EXCLUSIVE FIELDS, IMATION SUPPLY FIELDS AND NON-EXCLUSIVE FIELDS. FOR PURPOSES OF ARTICLE 19, 3M BUSINESS FIELDS MEANS THE FIELDS IDENTIFIED BELOW TO THE EXTENT THAT SUCH FIELDS ARE OUTSIDE THE SCOPE OF THE IMATION EXCLUSIVE FIELDS, IMATION SUPPLY FIELDS AND PARAGRAPHS II, III, V, VII AND VIII OF THE NON-EXCLUSIVE FIELDS.

Abrasive, scouring, surface conditioning, polishing and buffing products

Adhesives(except for padding adhesive for carbonless documents), coatings and sealants and systems that dispense them

Primers

Adhesive-coated tapes, papers, films and other articles and systems that dispense them, except for i) adhesive-coated films and papers for proofs, adhesive-coated proofs and lithographic printing plates, and ii) labels for application to other IMATION products

Films, except for acetate and coated films utilized in the photographic, imaging and electronic processing area within the IMATION Exclusive Fields or Non-Exclusive Fields

Materials for imparting abrasion and solvent resistance

Materials for imparting corrosion-resistance and abatement

Mechanical devices for splicing, splitting, terminating, connecting, or protecting signal transmission

Mechanical fasteners

Testing and measurement instruments for the telecommunications and electrical industries, electronic assembly and fiber optics

Semiconductor packaging and processing equipment and materials, except for equipment and materials for production and use of photoresists and photomasks

Cleaning, protecting, finishing and polishing products

Mats and surface coverings

Aggregate and granules

Refinishing and restoration materials and tools

Polymer, ceramic and metal composites

Ceramic fibers and components

Fiber optic materials and components

Fillers as finished or semi-finished goods (includes glass microspheres)

Magazine, billboard and sound advertising

Insulating and absorbing materials

Light control, privacy, energy conservation and safety films (includes (BEF))

Products, components and materials to be incorporated in electronic displays or for electronic display manufacture, except for i) software for displays; ii) fully designed and assembled circuit board assemblies; iii) thin-film transistors for use in displays and tiling of the same into larger displays; iv) phosphors for displays, except for laser induced thermal image transfer of phosphors (LITI) and v) color filters produced utilizing wet photolithographic proofing involving thermal lamination of color layers

Specialty chemical protectants

Fluorochemicals and fluoropolymers

Products for filtering, separating or extracting physical substances, except for such products which are components of other IMATION products

Transportation safety (including retroreflective) and control products/systems

Personal safety products

Components for personal hygiene products

Pharmaceuticals and drug delivery products Dental and orthodontic products

Cardiovascular intervention and critical care products

Orthopedic products

Sterilization devices and indicators

Surgical and infection control products

Wound and trauma management products

Sensors/monitors/ diagnostics for medical and personal safety

Microbiology testing, monitoring and control devices

Hearing aids and protective products

Respirators and masks

Security products and systems, except for software and systems routinely used in electronic information processing

Encapsulated products except for those used for carbonless paper and printing

Fly fishing products

Packaging products and equipment, except for molded plastic products

Vibration damping systems, except for use in or with other IMATION products

EXHIBIT B
3M RESERVED FIELDS

AS DEFINED IN PARAGRAPH 1.6, 3M RESERVED FIELDS MEANS THE FIELDS IDENTIFIED BELOW TO THE EXTENT SUCH FIELDS ARE OUTSIDE THE SCOPE OF THE IMATION SUPPLY FIELDS.

- I. Unrecorded media (i.e., media having no significant information content other than formatting, header information and the like), equipment, systems and sub-systems intended for large scale replication of pre-recorded analog video and audio tapes and packaging materials for the same, including tapes known as "AAT" (i.e., dual application or all application tape for duplication in real time and at high speed).
- II. Head cleaners for analog video and audio drives.
- III. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of graphics generally of the type described as graphics for vehicles, recreational equipment, yard and household equipment, decoration, signs, architectural enhancements, floor marking and corporate identity items and conspicuity products, and their substantial equivalents.
- IV. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of graphics larger than 22 inches by 29 inches (55.88 cm x 73.66 cm) for uses generally described as displays, exhibits, advertising or sales promotion, and their substantial equivalents, but not including:
 - i) graphics on or produced using silver halide and dry silver compositions;
 - ii) graphics produced by photofinishers on photographic film; and
 - iii) graphics on or produced using lithography.
- V. Government and geological mapping as of the Distribution Date and the normal progression of the technology and business of the foregoing.
- VI. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of traffic control materials, including, without limitation, license plates, validation stickers, traffic signs, pavement markings, other traffic management markings, conspicuity markings, and reflective (including retroreflective) graphics for transportation. Materials, equipment, systems, sub-systems and the software for running them, intended for traffic or fleet sensing, management, or control, but not scheduling of service representatives.
- VII. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of pressure-sensitive tapes, mechanical fastening devices or labels having graphics thereon, or direct labeling on containers, but not i) the labeling of IMATION's products either directly or using labels, ii) provision of labels with or in association with IMATION's products for customer use to label such products, or iii) for packaging mock-ups.
- VIII. Transparency films and framing materials and meeting/presentation graphics, except for silver halide, dry silver, proofing or thermal dye sublimation products.
- IX. Equipment, systems and sub-systems and the software for running them for overhead projectors, electronic projectors and display panels for use with overhead projectors and electronic projectors, but not including software and displays for conferencing for medical imaging purposes.
- X. Graphics on office supplies generally of the type described as printed

repositionable adhesive backed notes, labels, pads and documents, and adhesive tapes and tape flags, and substantial equivalents of any of the foregoing.

- XI. Materials, equipment, systems and sub-systems and the software for running them for electronic manipulation of image data (beyond that necessary to print or store the data) for purposes of treatment planning in the dental and orthodontic fields and generation of 3D reconstructive components or implants in the dental and orthodontic fields.
- XII. Materials, equipment, systems, sub-systems, and the software for running them, intended for the creation of safety, security, and identification products of the type generally described as identity cards, personal safety articles, identification on clothing or other personal effects, driver licenses, passports, visas, security badges, security laminates and inventory security control.
- XIII. Materials, equipment, systems and sub-systems and software for making and using Blue-Green Diode Lasers, except for magneto-optical and optical media for use with Blue-Green Diode Lasers.
- XIV. Flexible printed electronic circuits including, but not limited to, processes, materials, tools and software for the creation and manufacture of flexible printed tape automated bonding, microinterconnect systems, and z-axis adhesive interconnect circuits for electronic circuits, and the normal progression thereof, but not the sale of lithographic materials for use as photoresists or photomasks.
- XV. Software which was
- i) produced,
 - ii) distributed, either by sale or license, or
 - iii) the subject of significant development activities and intended by 3M for outside distribution
- prior to the Distribution Date by businesses remaining with 3M on the Distribution Date, and derivatives thereof, except to the extent that portions of the software are the same as software which was
- i) produced,
 - ii) distributed, either by sale or license, or
 - iii) the subject of significant development activities and intended by 3M for outside distribution
- prior to the Distribution Date by businesses being transferred to IMATION on the Distribution Date.
- XVI. Software distributed or under development prior to the Distribution Date by 3M Health Information Systems, particularly software employing expert systems technology, that is useful for the coding, grouping and classification of patient data; determining reimbursement for health care services; measuring severity of illness and quality of care; optimizing the use of medical resources; collecting, integrating, managing and accessing patient data, except for medical image data, from multiple sources and locations to support patient care decision-making through master patient indices, longitudinal (lifetime) data repositories, clinical alerts, and clinical work station-based patient care applications; and all software resulting from the normal progression of the technology and business relating to the foregoing, but excluding interfaces thereto.

PROVIDED, that equipment, materials for running such equipment (but not substrates for printing or providing graphics on), systems and sub-systems and the software for running them intended for use with and graphics produced using liquid toner-based color electrophotography using organosol toners differentially released from a photoreceptor are excluded from any and all of the foregoing, subject to Article 18.

EXHIBIT C
3M SUPPLY FIELDS

Chemicals, compositions, formulations, materials, components, devices, articles and any other items of any type which i) were obtained prior to the Distribution Date by a 3M business being transferred to IMATION on the Distribution Date from a business remaining with 3M on the Distribution Date, or ii) if not obtained by a 3M business being transferred to IMATION on the Distribution Date pursuant to i) above, are of a nature such that they would have been obtained from a business remaining with 3M on the Distribution Date had IMATION remained part of 3M.

EXHIBIT D
IMATION EXCLUSIVE FIELDS

AS DEFINED IN PARAGRAPH 1.8, IMATION EXCLUSIVE FIELDS MEANS THE FIELDS IDENTIFIED BELOW TO THE EXTENT THAT SUCH FIELDS ARE OUTSIDE THE SCOPE OF THE 3M RESERVED FIELDS AND 3M SUPPLY FIELDS.

- I. Unrecorded media (i.e., media having no significant information content other than formatting, header information and the like) for magnetic, optical and magneto-optical storage of retrievable representations of information of any type of the design on sale by 3M as of the Distribution Date, as well as equipment such as drive equipment, systems and sub-systems and the software for running them for use therewith, and future unrecorded media, drive equipment, systems and sub-systems and the Software for running them resulting from the normal progression of the technology and business of the foregoing. Examples of such unrecorded media include, but are not limited to:

computer tape products	diskettes
data cartridges	magneto-optical disks
optical compact disks	

This exclusive field shall not include i) digital beta max cassettes, or ii) unrecorded media for magnetic analog storage of retrievable representations of information of the types on sale by 3M's Audio/Video Group as of the Distribution Date, as well as equipment, systems and sub-systems and the software for running them for use therewith, and future unrecorded media, equipment, systems and sub-systems and the software for running them resulting from the normal progression of the technology and business of the foregoing. Examples of such unrecorded media include, but are not limited to:

VHS/Beta/Other videocassettes	Open reel recording tape
Beta videocassettes	Magnetic film for recording
Audio cassettes	motion picture soundtracks

- II. Magneto-optical and optical media for use with Blue-Green Diode Lasers.
- III. Providing services to others to master and duplicate information on optical Media.
- IV. Liquid organosol film-forming toner intended for use in color electrophotography. Materials, equipment, systems and sub-systems, and the software for running them intended for use with and graphics produced using toner-based color electrophotography using toners differentially released from a photoreceptor.
- V. Materials, equipment, systems and sub-systems and the software for running them, intended for proofing, but not non-critical proofing materials sold by 3M's Visual Systems Division as of the Distribution Date or non-critical proofing materials, intended for use in office market applications and exhibiting performance characteristics similar to such existing non-critical proofing materials, resulting from the normal progression of the technology and business of the foregoing.
- VI. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of graphics using lithography or thermal dye sublimation, but not i) for creation of flexible printed electronic circuits, ii) materials sold by 3M's Commercial Graphics Division as of the Distribution Date intended for creation of graphics

smaller than or equal to 22 inches by 29 inches (55.88 cm x 73.66 cm) for uses generally described as displays, exhibits, advertising or sales promotion, and their substantial equivalents, or the normal progression of the technology and business of the foregoing Commercial Graphics Division's materials, iii) flexography, or iv) use of thermal dye sublimation intended for overhead transparencies.

- VII. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of graphics using silver halide or dry silver compositions.
- VIII. Materials, equipment, systems and sub-systems and the software for running them, intended for the creation of carbonless paper and laser perforated or scored business forms.
- IX. Materials, equipment, systems and sub-systems and the software for running them, intended for medical imaging of the body and for medical image management, except for i) software interfaces thereto; ii) dental and orthodontic applications; iii) collecting integrating, managing and accessing patient data to support or manage patient care; and iv) generation or presentation of data and the like in graphs, charts, diagrams and the like (in contrast to imaging of the body).
- X. Materials, equipment, systems and sub-systems and the software for running them, intended for the photography industry, generally of the type described as camera films and cartridges, cameras, printing systems for camera films and supplies for camera films.
- XI. Materials, equipment, systems and sub-systems and the software for running them, intended for use in monochrome hardcopy document management and production generally of the type described as documents produced in a typical office, such as print-outs on stock such as paper, engineering documents and microfilm systems, and their substantial equivalents.
- XII. Materials, equipment, systems and sub-systems and the software for running them, intended for use in industrial imaging such as industrial X-ray systems and ultrasound imaging systems.
- XIII. Materials, equipment, systems and sub-systems and the software for running them, intended for preparation of photomasks and photoresists, but not for making flexible printed electronic circuits.
- XIV. Software which was
- i) produced,
 - ii) distributed, either by sale or license, or
 - iii) the subject of significant development activities and intended by 3M for outside distribution
- prior to the Distribution Date by businesses being transferred to IMATION on the Distribution Date, and derivatives thereof, except to the extent that portions of the software are the same as software which was
- i) produced,
 - ii) distributed, either by sale or license, or
 - iii) the subject of significant development activities and intended by 3M for outside distribution
- prior to the Distribution Date by businesses remaining with 3M on the Distribution Date.
- XV. Software and systems for color management, except software and systems for the development and use of color tables and halftone systems for use with 3M specified engines or products.

EXHIBIT E

IMATION SUPPLY FIELDS

Materials, components, devices, articles and any other items of any type which i) were obtained prior to the Distribution Date by a business remaining with 3M on the Distribution Date from a 3M business being transferred to IMATION on the Distribution Date, or ii) if not obtained by a business remaining with 3M from a 3M business being transferred to IMATION on the Distribution Date pursuant to i) above, are of a nature such that they would have been obtained by a business remaining with 3M on the Distribution Date from a business being transferred to IMATION on the Distribution Date had IMATION remained part of 3M; but not including chemicals, compositions, formulations, materials, components, devices, articles and any other items in 3M Supply Fields.

EXHIBIT F
NON-EXCLUSIVE FIELDS

AS DEFINED IN PARAGRAPH 1.9, NON-EXCLUSIVE FIELDS MEANS THE FIELDS IDENTIFIED BELOW TO THE EXTENT THAT SUCH FIELDS ARE OUTSIDE THE SCOPE OF THE 3M RESERVED FIELDS, IMATION EXCLUSIVE FIELDS, 3M SUPPLY FIELDS AND IMATION SUPPLY FIELDS.

- I. Recorded media or unrecorded media (i.e., media having no significant information content other than formatting, header information and the like) of any type for storage of retrievable representations of information of any type, as well as equipment, systems, sub-systems and the software for running them for use therewith, except this does not include rights to content other than as expressly reserved by and/or licensed to a Party elsewhere under this Agreement.
- II. Accessories generally of the type described as head cleaners, covers, cases and sleeves for any of the products included in Paragraph I of Exhibit D.
- III. Providing services to others to master and duplicate information or media.
- IV. Materials, systems, sub-systems and the software for running them, intended for imaging.
- V. Unrecorded flash card-type non-volatile electronic memory for storage of information of any type and the software for running them, but not components or subassemblies for the foregoing.
- VI. Software, except this does not include rights to content in programs or software other than as expressly reserved by and/or licensed to a Party elsewhere under this Agreement.
- VII. Plastic molding services, components and assembly, but not microreplication.
- VIII. Cellulose triacetate film.
- IX. Training, maintenance, field support and similar services consistent with the rights expressly reserved by and/or licensed to a Party elsewhere under this Agreement.

IMATION SUPPLY AGREEMENT

This Agreement is between IMATION CORP., a Delaware corporation, with its principal offices at 1 Imation Place, Oakdale, Minnesota 55128, and its Affiliates (IMATION), and MINNESOTA MINING AND MANUFACTURING COMPANY, a Delaware corporation, with its principal offices at 3M Center, St. Paul, Minnesota 55144, and its Affiliates (3M).

1. PRODUCTS TO BE SOLD.

1.1 IMATION agrees to sell to 3M the raw material, intermediate products and finished products listed in Exhibit A, manufactured, assembled and packaged in accordance with the applicable Product specifications, except as stated in Section 1.3 below (the "Products"). Except for finished Products listed in Exhibit A, 3M will not resell Products in the form supplied by IMATION unless specifically agreed to in writing by 3M and IMATION. Additional products may be added to this Agreement on the mutual written agreement of IMATION and 3M referencing this Agreement.

1.2 Non-standard Products are Products listed in Exhibit A for which IMATION and 3M have not yet mutually agreed to a specification. IMATION agrees to provide Non-standard Products to 3M as described in a mutually agreed to purchase order.

1) 3M will pay IMATION for Non-standard Products as stated in Section 3, except that IMATION's Factory Cost will be calculated based on IMATION's actual costs to produce the Non-standard Products.

2) Section 4 of this Agreement regarding forecasts will not apply to Non-standard Products. For Non-standard Products, 3M will provide IMATION with a rolling six (6) month non-binding forecast each month during the term of this Agreement.

3) Section 8 of this Agreement regarding warranty and remedies will not apply to Non-standard Products. For Non-standard Products, IMATION agrees to use its reasonable efforts to meet the Product definition stated in the purchase order. Non-standard Products are supplied to 3M "AS IS" AND WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE AND ANY IMPLIED WARRANTY ARISING OUT OF A COURSE OF DEALING, A CUSTOM OR USAGE OF TRADE.

2. DEFINITIONS.

2.1 "Affiliate" means any corporation, firm, partnership, individual or other form of business organization as to which the control of the business may be exercised by a party to this Agreement, any corporation firm, partnership, individual or other form of business organization in which the party has at least fifty percent (50%) ownership interest or the maximum ownership interest it is permitted to have in the county where that business organization exists.

2.2 "Factory Cost" means IMATION's direct raw material, labor and plant overhead as normally equalized and allocated to the factory unit cost for production of the Products, and excludes any internal IMATION intracompany profit markup. Unless otherwise mutually agreed in writing, the initial Factory Cost will be calculated based on the actual rates for labor and plant overhead for the fourth quarter of 1995 and first quarter of 1996, and actual April 1996 raw materials costs.

2.3 "Base Cost" means IMATION's Factory Cost for the Product plus six percent (6%) of the Factory Cost for laboratory, engineering and administrative expenses. The initial Base Cost is stated in Exhibit A.

2.4 "Rolling Forecast" has the meaning stated in Section 4.2 of this Agreement.

2.5 "Fixed Zone" has the meaning stated in Section 4.3 of this Agreement.

2.6 "Intellectual Property Rights Agreement" means the agreement entitled "Intellectual Property Rights Agreement" between IMATION and 3M and executed on or about the same date as this Agreement.

2.7 "Effective Date" of this Agreement means the date the distribution is effective, as defined by the Distribution Agreement between IMATION and 3M executed on or about the same date as this Agreement.

3. PRODUCT PRICES.

3.1 IMATION agrees to sell Products to 3M at the applicable Base Cost plus a mark up as follows:

For 1996 - + 5%

For 1997 - + 10%

For 1998 - + 15%

For 1999 and future years under this Agreement - + 15% or as otherwise mutually agreed in writing

The Base Cost will not change during the term of this Agreement except as stated in this Section 3. Prices include packaging suitable for shipment. The prices are F.O.B. IMATION's dock delivered to 3M's designated carrier. The prices do not include any sales, excise, use, value added or other similar taxes. All such taxes will be invoiced to and paid by 3M unless 3M provides IMATION with

appropriate exemption certificates.

3.2 Factory Cost for Products will be recalculated annually prior to January 1 each year, based on the actual costs during the most recent two (2) calendar quarters for which financial data is available, unless otherwise mutually agreed in writing.

3.3 If at any time during the term of this Agreement 3M is offered a product of comparable or better quality, in quantities comparable to the quantities of those Products purchased under this Agreement, and under comparable terms and conditions at a cost lower than that for a Product under this Agreement within the same market as 3M, IMATION will either reduce its price for the Product to the lower cost within thirty (30) days of receipt of 3M's notice or 3M may purchase the Product elsewhere without providing the notice required under Section 15.

3.4 If at any time during the term of this Agreement IMATION sells to any other customer, other than to Affiliates of IMATION, a product of at least comparable quality and at comparable quantity to that of a Product sold to 3M under this Agreement, within the same market as 3M at a price lower than that in effect under this Agreement, IMATION will give 3M the benefit of the lower price on all deliveries of that Product which are made during the period when the lower price is in effect.

3.5 Any changes in the prices will apply to orders placed after implementation of the change.

3.6 IMATION and 3M agree to meet on a regular basis during the term of this Agreement to review pricing and quality, working towards continuous improvements and targeted price reduction levels.

3.7 IMATION grants 3M the right to have IMATION's Factory Cost records for all Products (including the initial Base Cost listed in Exhibit A) audited by an independent certified public accountant selected by 3M and approved by IMATION. The independent certified public accountant will agree to treat this information as confidential and will only disclose to 3M whether or not the costs IMATION communicated to 3M were accurate. 3M may request an audit no more than twice each year per Product and is responsible for all costs of the auditor. If the accountant determines that any costs were inaccurate, then the Factory Cost will be adjusted accordingly and retroactively for all purchases made at the inaccurate price.

4. FORECAST.

4.1 On execution of this Agreement and on each anniversary of the Effective Date of this Agreement during the term of this Agreement, 3M will provide IMATION with a non-binding written long-range forecast of purchases of Products for the period stated in Exhibit A, by Product number, for IMATION's long-range planning purposes. Within thirty (30) days of receipt of 3M's long-range forecast, IMATION will provide 3M with a non-binding response,

outlining IMATION's anticipated ability to meet the long-range forecast.

4.2 3M will also provide IMATION with a rolling twelve (12) month forecast each month during the term of this Agreement (the "Rolling Forecast"). The Rolling Forecast will provide specific release quantities for Products ordered in the Fixed Zone and estimated release quantities for each remaining month. Within thirty (30) days of receipt of 3M's Rolling Forecast provided on execution of this Agreement and each anniversary date of the Effective Date of this Agreement, IMATION will notify 3M whether IMATION has the manufacturing capacity to supply each Product at the levels stated in the Rolling Forecast.

4.3 3M agrees that each time it gives IMATION a Rolling Forecast, it is making an 3M commitment to purchase the quantities of Products specified for the period of time stated in Exhibit A (the "Fixed Zone"). IMATION may rely on Fixed Zone quantities as a firm commitment in ordering raw materials and scheduling time needed to manufacture the specified quantities of Products in the Fixed Zone. Except for those quantities of Products that fall within the Fixed Zone, the Rolling Forecast will not be construed as a commitment by 3M to purchase any quantities of Products. When 3M submits a new Rolling Forecast each month, the new third month Product quantity may not exceed the quantity listed for the fourth month of the previous Rolling Forecast by more than twenty-five percent (25%).

4.4 IMATION and 3M agree to accept deviations from the Fixed Zone quantities of +/- ten percent (10%). Any larger deviations must be mutually agreed to in writing by IMATION and 3M. If 3M wishes to receive quantities which exceed the Fixed Zone quantities by more than ten percent (10%), then 3M will submit to IMATION a written request to deviate from the Fixed Zone quantities. IMATION will make a good faith effort to comply with such requests. Within five (5) days after the receipt of a request, IMATION will send 3M a written reply informing 3M 1) whether or not IMATION is in a position to comply with the request and 2) if IMATION can comply with the request, the estimated delivery date for the excess quantities.

4.5 This Section 4 will apply unless on the Effective Date of this Agreement the ordering process for a Product was a Kanban system or similar just-in-time inventory system or unless IMATION and 3M mutually agree in writing to use such a system for any Product. For Products using a Kanban or similar system, IMATION and 3M agree to continue using that system during the term of this Agreement.

5. ORDERS, SHIPMENT AND PAYMENT.

5.1 Lead times for ordering Products are stated in Exhibit A. For Products purchased on a regular basis, 3M will periodically send IMATION Blanket Purchase Orders. A Blanket Purchase Order is not a commitment by 3M to purchase Products. 3M will issue Purchase Order Releases against a Blanket Purchase Order which constitutes 3M's firm commitment to purchase specific quantities of Products stated in the Purchase Order Release and will be consistent with the Fixed Zone quantities. 3M will issue Purchase Order Releases specifying

quantities, delivery dates and the eleven (11) digit Product number.

5.2 Any provision in 3M's Purchase Order or Purchase Order Release or IMATION's invoice that is additional to, conflicts with or differs from the terms and conditions stated in this Agreement, except as to identification and quantity of Products involved, will not govern the purchase. All orders are governed by the provisions of this Agreement.

5.3 3M will send all purchase orders to the applicable address stated in Exhibit A.

5.4 IMATION will use its reasonable efforts to deliver all Product ordered consistent with Sections 4.3 and 4.4 to 3M's designated carrier on the delivery date stated in the Purchase Order or Purchase Order Release, to the location stated in the order.

5.5 Payment terms are net thirty (30) days from IMATION's invoice date for shipments within the U.S. For shipments outside the U.S., payment terms are net sixty (60) days. IMATION will not invoice 3M until the date of delivery of Product to 3M's designated carrier.

6. PRODUCT SHORTAGES.

If at any time during the term of this Agreement there is a shortage of any Product, IMATION will allocate its available quantities of that Product among its purchasers (including IMATION divisions and Affiliates) based on the proportionate amount of Product purchased in the previous six (6) months.

7. PRODUCT QUALITY AND CHANGES.

7.1 Each Product Specification will be agreed to by IMATION and 3M in writing prior to the Effective Date of this Agreement. No changes to the Product Specifications will be made by either party except by mutual written agreement.

7.2 IMATION will deliver a Certificate of Analysis with each shipment of Products for those Products IMATION was supplying a Certificate of Analysis prior to the Effective Date of this Agreement. The Certificate of Analysis will contain the release results of the Product properties and the test methods used as indicated in the Product Specification.

7.3 Where it has been a practice prior to the Effective Date of this Agreement, IMATION and 3M will mutually conduct Product testing at IMATION's facility prior to shipment of the Product to 3M.

7.4 3M and IMATION may from time to time submit to the other party a written request to make a change to a Product (a "Change Request"). The requesting party will give the other party at least sixty (60) days prior written notice of the change. If both parties agree to the proposed change, the parties will negotiate in good faith any required Product modification

definition, implementation timing, and impact on pricing and non-recurring engineering cost and capital costs. Any information supplied in a Change Request will be considered "Confidential Information" by the disclosing party and subject to Section 12 of this Agreement. IMATION agrees to submit a Change Request to 3M in connection with any known change in:

1) any Product formulation, raw materials (including source of supply), or basic methods of manufacturing that may result in a significant alteration of specified properties, or processing, performance or handling characteristics of the Product, or

2) the location of the manufacturing facilities of the Product.

IMATION will not make any of the above changes without the prior written consent of 3M and will continue to supply 3M with the existing Product until 3M has qualified the changed Product.

7.5 IMATION will provide 3M with samples of the changed Product for 3M's evaluation and testing on 3M's request. If the change was requested by 3M, 3M will pay for the samples. If the change was requested by IMATION, IMATION will pay for the samples. If the change was jointly initiated, the cost of the samples will be shared equally.

8. WARRANTY AND LIMITATION OF REMEDIES; TIME LIMIT FOR FILING ACTION.

8.1 The following warranty and limited remedy are included in the purchase price of the Products:

THE FOLLOWING WARRANTY IS MADE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE AND ANY IMPLIED WARRANTY ARISING OUT OF A COURSE OF DEALING, A CUSTOM OR USAGE OF TRADE:

IMATION warrants that Products will meet the Specifications and be free from defects in manufacture and material for a period of time stated in Exhibit A, from the date of delivery to 3M's designated carrier. For defects occurring within the warranty period and about which IMATION has received notice within the warranty period, 3M's exclusive remedy and IMATION's sole obligation will be, at IMATION's option, to replace the quantity of the Product which is proved to be defective or to refund the purchase price of that quantity. IMATION will pay 3M for any shipping costs for replacement Product. 3M will obtain a return authorization number from IMATION prior to returning any defective Product.

8.2 If 3M believes that a unit of a Product is defective, 3M will document its assessment and rationale in writing to IMATION. IMATION will have the right to evaluate all alleged defects in the specified Product. If requested by IMATION, 3M will return allegedly defective Product to IMATION's manufacturing facility, at IMATION's cost, for evaluation by IMATION. IMATION

will evaluate the allegedly defective Product submitted by 3M within thirty (30) days of receipt of 3M's documentation, unless otherwise agreed by IMATION and 3M. If IMATION does not confirm the alleged defect, IMATION will document its assessment and rationale to 3M.

8.3 No employee of IMATION or any other party is authorized to make any warranty in addition to the warranty made in this Agreement.

8.4 Any action for breach of warranty or other breach of obligation under this Agreement must be begun within two (2) years after the breach occurs.

9. LIMITATION OF LIABILITIES.

9.1 The limited remedy set forth in Section 8.1 above is 3M's exclusive remedy in the event of a breach of warranty under this Agreement. In no case will IMATION be liable for any other direct, indirect, special, incidental or consequential damages based on breach of warranty under this Agreement.

9.2 In no case will IMATION be liable for any direct damages based on negligence, strict liability or any legal theory other than breach of contract.

9.3 In no case will IMATION be liable for any indirect, special, incidental or consequential damages based on negligence, strict liability, breach of contract or any other legal theory.

9.4 In no case will 3M be liable for any direct, indirect, special, incidental or consequential damages to IMATION if 3M discontinues purchasing a Product under this Agreement, or for reliance by IMATION on non-binding forecasts provided to IMATION under Sections 4.1 and 4.2.

10. INDEMNIFICATION

10.1 3M agrees to indemnify, defend and hold harmless IMATION, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the Products supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which IMATION may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Section 10 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this Agreement.

10.2 If IMATION intends to claim indemnification under this Section 10, IMATION will promptly notify 3M in writing of any claim, action or demand for which IMATION intends to claim indemnification. In addition, IMATION will promptly notify 3M in writing if IMATION elects to waive its right to have 3M

defend the claim, action, or demand. If IMATION does not waive its right to have 3M defend the claim, action, or demand, IMATION agrees that 3M will control the defense of the claim, action, or demand. IMATION will cooperate fully with 3M and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. IMATION will permit 3M to settle any claim, action, or demand and agrees that 3M will control the settlement, provided, however, that such settlement does not adversely affect IMATION's rights under this Agreement or impose any obligations on IMATION in addition to those stated in this Agreement. 3M, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to IMATION of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by IMATION without the prior written consent of 3M.

11. REGULATORY COMPLIANCE.

11.1 IMATION represents that the Products have been manufactured and sold in compliance with all applicable federal, state and municipal laws, rules and regulations.

11.2 IMATION certifies to 3M that each of the component chemicals contained in each Product has been manufactured 1) in compliance with the Pre-Manufacture Notice requirements of the United States Toxic Substance Control Act or the new chemical notification regulations in the country in which it is manufactured, and 2) in compliance with new chemical notification regulations in countries outside the U.S. in which the Product is being sold as of the Effective Date of this Agreement. For Products for which IMATION will be the importer of record, IMATION will maintain compliance with new chemical notifications required by law in countries outside the U.S. as long as the Product is supplied under this Agreement. On 3M's request, IMATION will provide 3M information regarding the status of a component of a Product on inventories outside the U.S. Also on 3M's request, 3M will have the right to review IMATION's file of TSCA Section 8(c) "Records of Allegations of Significant Adverse Reactions" solely as they relate to components of Products.

11.3 Each party will be responsible for the final and proper disposal of all waste material and hazardous waste material generated in their respective manufacturing operations.

12. USE OF 3M EQUIPMENT.

12.1 For supply of some Products, 3M may furnish IMATION various pieces of equipment to be used by IMATION solely to supply the Products under this Agreement (the "Equipment"). IMATION acknowledges that all Equipment, together with all drawings and other documentation related to the Equipment are the property of 3M. 3M will pay all applicable personal property taxes that pertain to the Equipment.

12.2 IMATION agrees to execute a UCC-1 financing statement, to be filed by 3M, as an acknowledgment that the Equipment in the custody of IMATION is owned by 3M. Where practical, pieces of Equipment will be marked with an 3M identification number. IMATION will not sell, transfer, or remove the Equipment from IMATION's place of business. In addition, IMATION will not allow any third party to obtain a mortgage, security interest, lien, or any other type of encumbrance in or on the Equipment.

12.3 IMATION acknowledges that 3M has made absolutely no representations or statements about the character, condition, quality or characteristics of the Equipment. Before using the Equipment, IMATION will do whatever is necessary to make certain that the Equipment is in a safe and proper working condition for its intended use. 3M NEITHER EXPRESSES NOR IMPLIES ANY WARRANTIES AS TO THE QUALITY OR CONDITION OF THE EQUIPMENT AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. 3M EXPRESSLY DISCLAIMS ANY REPRESENTATIONS ABOUT THE CONDITION, QUALITY, CAPACITY OR OTHER CHARACTERISTIC OF THE EQUIPMENT. This section applies regardless of whether 3M has paid or offered IMATION any consideration for use of the Equipment.

12.4 Except as stated in Section 12.7, IMATION will not make any alteration in the Equipment without the prior written approval of 3M.

12.5 The Equipment will be used SOLELY AND EXCLUSIVELY for supplying Products under this Agreement and will not be used for any other purpose whatsoever without the prior written approval of 3M.

12.6 3M may inspect the Equipment and related documentation at all reasonable times during normal business hours.

12.7. During the time the Equipment is in IMATION's possession, IMATION will at its own expense:

- 1) service the Equipment regularly and maintain the Equipment in good operating condition at all times in accordance with the schedule provided by 3M;

- 2) not allow the Equipment to be misused or to deteriorate, ordinary wear and tear excepted;

- 3) provide all routine repair and maintenance for the Equipment. Major or extraordinary maintenance costs incurred will be borne by 3M, subject to 3M's prior written approval for IMATION to undertake those costs.

12.8 3M has the full risk of loss and damage as to any Equipment and related documentation in IMATION's care, custody or control. 3M waives subrogation against IMATION for any loss or damage to any Equipment or related documentation in IMATION's care, custody or control.

12.9 On discontinuation of the Product associated with the Equipment

under this Agreement, IMATION will return any and all Equipment and related documentation to 3M in the same condition as originally received, loss, damage and reasonable wear and tear excepted. 3M will pay the cost of tear down, crating and shipping the Equipment and restoring the premises to their original condition at the time the Equipment was installed, reasonable wear and tear excepted. If for any reason IMATION fails to comply promptly with a request to return Equipment, 3M will have the right to peaceably enter IMATION's premises during normal business hours to remove the Equipment and 3M may take all action permitted by law to immediately recover the Equipment. IMATION will on demand reimburse 3M for all actual and reasonable costs 3M incurs in recovering the Equipment (including reasonable attorney's fees and other expenses of litigation). IMATION expressly waives any rights or remedies IMATION may have with regard to the Equipment, including but not limited to any right IMATION may have to notice and a hearing or to a bond, undertaking, or surety before a writ of replevin, order of seizure, or similar writ or order will issue or become enforceable.

13. CONFIDENTIAL INFORMATION.

13.1 As used in this Agreement, IMATION Confidential Information and 3M Confidential Information are defined as follows:

1) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the Effective Date of this Agreement and reasonably understood by 3M to be confidential and related to IMATION's business interests, or disclosed confidentially by IMATION to 3M after the Effective Date of this Agreement under the terms and for purposes of this Agreement except for:

(i) information learned by 3M for the first time after the Effective Date of this Agreement, but prior to any disclosure by IMATION;

(ii) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(iii) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by 3M independent of any confidential IMATION information which is known by 3M on the Effective Date and/or disclosed by IMATION under this Agreement;

(v) information which is inherently disclosed in

marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights Agreement.

(vi) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, composition, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business remaining with 3M on the Effective Date; and

(vii) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

2) "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the Effective Date and reasonably understood by IMATION to be confidential and related to 3M's present or future business interests, or disclosed confidentially by 3M to IMATION under the terms and for purposes of this Agreement except for:

(i) information learned by IMATION for the first time subsequent to the Effective Date of this Agreement, but prior to any disclosure by 3M;

(ii) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(iii) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Effective Date and/or disclosed by 3M under this Agreement;

(v) information which is inherently disclosed in

marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or retained by IMATION under this Agreement or the Intellectual Property Rights Agreement.

(vi) information which is developed by a business which remains with 3M on the Effective Date and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business being transferred to IMATION on the Effective Date; and

(vii) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date of such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

13.2 IMATION and 3M each shall not disclose to another or use except for purposes of the Agreement any business information which is 3M Confidential Information or IMATION Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is 3M Confidential Information and IMATION Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is 3M Confidential Information and/or IMATION Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either IMATION Confidential Information known by 3M or 3M Confidential Information known by IMATION on the Effective Date shall be considered to be the Effective Date.

13.3 IMATION and 3M each shall not disclose to another or use except for purposes of this Agreement any technical information which is 3M Confidential Information or IMATION Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be 3M Confidential Information or IMATION Confidential Information, as the case may be.

13.4 Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.

13.5 Each party shall insure that its Affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.

13.6 The parties recognize that IMATION Confidential Information and/or 3M Confidential Information disclosed under this Agreement may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

14. PATENT INFRINGEMENT.

14.1 IMATION will indemnify, defend and hold 3M harmless from all cost, expense and liability, including attorney's fees, arising out of any claim or action based on actual or alleged infringement by Products, as shipped by IMATION to 3M, of any third party Letters Patent, copyright, trade secret or other proprietary interest; with the proviso that IMATION will have no liability to 3M for any actual or claimed infringement arising out of (1) compliance by IMATION with detailed designs, plans or specifications furnished by 3M unless such infringement would arise independent of such designs, plans and specifications, (2) use of Products by 3M in combination with other equipment or materials not reasonably contemplated by IMATION or (3) use of Products or any part thereof by 3M in a manner not reasonably contemplated by IMATION.

14.2 3M will indemnify, defend and hold IMATION harmless from all cost, expense and liability, including attorney's fees, arising out of any claim or action based on actual or alleged infringement by Products, as shipped by IMATION to 3M, of any third party Letters Patent, copyright, trade secret or other proprietary interest to the extent such infringement arises out of (1) compliance by IMATION with detailed designs, plans or specifications furnished by 3M unless such infringement would arise independent of such designs, plans and specifications, (2) use of Products by 3M in combination with other equipment or materials not reasonably contemplated by IMATION or (3) use of Products or any part thereof by 3M in a manner not reasonably contemplated by IMATION.

14.3 The party seeking indemnification under this Section 14 will give the other party notice of any infringement claim or action which may arise under this Agreement, and will allow the other party at its option to control the defense thereof and will provide at the other party's expense reasonable cooperation in the defense or settlement of and claim or action.

14.4 The terms and conditions of this Section 14 will survive the termination of this Agreement for any reason whatsoever.

15. TERM AND TERMINATION.

15.1 The term of this Agreement will commence on the Effective Date and will continue until terminated as stated in Section 15.2.

15.2 This Agreement may be terminated only as follows:

1) automatically on the discontinuation of the last Product under this Agreement;

2) at any time on thirty (30) days prior written notice to the other party if the other party is in default of its obligations under this Agreement and has not remedied the default within the thirty (30) day period;

3) subject to applicable bankruptcy laws, by written notice to the other party if bankruptcy or insolvency proceedings are instituted by or against the other party, or if the other party acknowledges its insolvency in any manner, or if the other party is adjudicated a bankrupt, makes an assignment for the benefit of its creditors or proposes or makes any arrangement for the liquidation of its debts; or

4) by written notice to the other party if the other party assigns or delegates this Agreement contrary to Section 18.

15.3 Even after termination, the provisions of this Agreement still apply to all Product ordered, all obligations created or arising, and all transactions and events occurring before the date of termination.

16. DISCONTINUATION OF PRODUCTS.

IMATION may discontinue sales of individual Products at any time by giving 3M written notice, as stated in Exhibit A, prior to the desired discontinuation date. 3M may discontinue purchases of individual Products at any time by giving IMATION written notice as stated in Exhibit A. After receipt of a notice of discontinuing a Product, 3M's orders for that Product may not exceed one hundred twenty-five percent (125%) of the most recent Rolling Forecast.

This Section 16 does not apply if 3M discontinues purchases under Section 3.4 or if the discontinuation is due to 3M closing a manufacturing facility or ceasing to market a 3M product which uses a Product in its manufacture. If the discontinuation is for a reason stated above, 3M will give IMATION as much notice as reasonably practical.

17. MANUFACTURE OF PRODUCTS BY A THIRD PARTY VENDOR OR 3M.

17.1 On occurrence of one of the events contemplated by Section 17.4, IMATION shall elect, at IMATION's sole option, one of the following alternatives: Option A, select and grant a royalty-free, nonexclusive license to a third party vendor to manufacture the particular Product concerned for 3M, provided that any proposed third party vendor shall be subject to 3M's

reasonable approval; or Option B, grant a royalty-free license to 3M solely to manufacture or have manufactured the particular Product concerned, provided that any proposed third party selected by 3M in exercising its rights to have manufactured shall be subject to IMATION's reasonable approval. Both Option A and Option B shall be in accordance with the other provisions of this Section 17. If it appears likely that IMATION will elect to resume supplying a Product under Section 17.5, 3M will exercise such licenses in a manner to facilitate that resumption and minimize associated costs.

17.2 IMATION shall provide to any third party vendor pursuant to Option A, or to 3M or any third party selected by 3M pursuant to Option B, at IMATION's expense, reasonable technical assistance to allow the third party vendor, 3M or any third party selected by 3M, as the case may be, to manufacture the particular Product concerned, such technical assistance not to exceed ten (10) person-days.

17.3 Any license under proprietary information disclosed by IMATION to any third party vendor, 3M or any third party selected by 3M pursuant to this Section 17 is strictly limited to use of such proprietary information by the recipient for manufacturing the particular Product concerned for subsequent use in manufacturing products to be sold by 3M, and the license includes no other rights whatsoever. Any third party selected pursuant to Option A or B shall further be subject to restrictions on disclosure at least as stringent as those contemplated in Section 12. Any patent license pursuant to this Section 17 is strictly limited to the manufacture of the particular Product concerned, using the proprietary information which is disclosed to the third party vendor, 3M or any third party selected by 3M, for subsequent use in manufacturing products to be sold by 3M, and the license includes no other rights whatsoever. Further, any license under proprietary information and/or patents granted under this Section 17 pursuant to Section 17.4-4) shall be limited to the manufacture of such quantities of Product in excess of the quantity IMATION notified 3M it has the manufacturing capacity to supply pursuant to Section 4.2.

17.4 Occurrence of any of the following shall constitute an event requiring IMATION to elect Option A or Option B pursuant to Section 17.1:

1) IMATION notifies 3M in writing that it will discontinue the supply of a Product under Section 17 of this Agreement which 3M still wishes to purchase for a sustained period of time in quantities substantially comparable to quantities purchased from IMATION previously. Such discontinuation, if the result of force majeure, shall take effect immediately upon issuance of such written notice. Such discontinuation, if not the result of force majeure, shall not take effect until after the time period for notice of discontinuation stated in Exhibit A.

2) 3M provides to IMATION written notification that at least twenty percent (20%) of a Product supplied by IMATION to 3M materially does not comply with mutually agreed Product Specification, and after a period of four (4) consecutive months IMATION has not brought the Product into material compliance with the Product Specification despite

cooperation from 3M in attempting to bring the Product into compliance with the Product Specification.

3) IMATION places the Product on allocation such that 3M receives less than sixty (60%) of its Requirements for that Product for more than six (6) consecutive months.

4) IMATION notified 3M under Section 4.2 that IMATION does not have the manufacturing capacity to supply a Product at the level stated in 3M's Rolling Forecast.

17.5 If IMATION's discontinuation of supply of a Product to 3M is as a result of force majeure or as a result of Section 17.4-2), 3) or 4), resulting in implementation of Option A or Option B, IMATION may elect to resume supplying the particular Product concerned to 3M. In the event that IMATION elects to resume supply of the particular Product concerned pursuant to this Section 17.5, any licenses under proprietary information and patents granted under this Section 17 terminate forthwith upon such resumption of supply from IMATION. IMATION and 3M agree to work together to affect the resumption of supply from IMATION in a reasonable manner.

17.6 3M shall indemnify and hold IMATION harmless from any and all loss or liability of any and all claims, causes of action, suits, proceedings, losses, damages, demands, fees, expenses, fines, penalties and costs (including without limitation reasonable attorney's fees, costs and disbursements) arising from any injury or alleged injury to any person or business for property damage, personal injury or incidental, special or consequential damages caused by any Products made or processes performed under the license granted under this Section 17.

18. ASSIGNMENT.

18.1 Neither party may assign or transfer this Agreement or any of its rights and obligations under this Agreement without the prior written consent of the other party, except that 3M may assign or transfer all or part of this Agreement to a purchaser of or successor in interest to all or a portion of 3M's businesses.

18.2 If 3M assigns or transfers all or part of this Agreement to a purchaser or successor in interest, the pricing for Products as stated in Section 3 will continue for a period of one (1) year and will then convert to market pricing mutually agreed to by IMATION and the purchaser. All other provisions of the Agreement will remain in effect, except as follows:

1) Any right to purchase Products so assigned or transferred shall be strictly limited to the right to purchase such Products required for use in manufacturing products previously manufactured by 3M before such assignment or transfer and any future products resulting from the normal progression of the business and technology of such products.

2) Any licenses which thereafter are granted pursuant to Section 16 to or on behalf of the purchaser or successor in interest shall be royalty-bearing, with terms commensurate with industry standards.

3) Any purchaser or successor in interest shall agree in any such assignment or transfer to utilize reasonable efforts to find an alternative source of supply not dependent upon intellectual property owned by IMATION to obviate the need for any licenses from IMATION in the first instance.

19. DISPUTE RESOLUTION.

19.1 The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Section 19.11, these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

19.2 A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

19.3 If, within thirty (30) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

19.4 The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

19.5 The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session.

1) If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 19.6. The arbitration proceeding shall be held in Minnesota and shall be governed by the United States Arbitration Act, 9 U.S.C. ss.ss. 1-16. Judgment upon the

award rendered by the arbitrator may be entered by any court having jurisdiction.

2) The parties' obligation under this Section 19 to submit dispute to binding arbitration in lieu of seeking judicial resolution of their disputes shall expire on July 1, 2001.

19.6 The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

19.7 The costs of arbitration shall be apportioned between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

19.8 Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Section and requesting arbitration after having participated in negotiation and mediation under this Section.

19.9 All negotiations and mediations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

19.10 All negotiation, mediation and arbitration proceedings under this Section shall be treated as Confidential Information and shall not be disclosed to any third party unless a party is legally required to disclose the information. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

19.11 Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

20. NOTICES.

20.1 All notices will be in writing and will be delivered by courier, facsimile transmission or prepaid first class mail. Notices delivered by courier or facsimile transmission will be deemed to have been given on the date of delivery. Notices delivered by first class mail will be deemed to have been given on the next business day after date of mailing.

20.2 All notices will be addressed as follows and to the appropriate contact person for the Product as listed in Exhibit A:

(a) if to 3M: Minnesota Mining and Manufacturing Company
Vice President, Legal Affairs
Building 220-14W-01
3M Center
St. Paul, MN 55144-1000
Facsimile: 612/736-7859

(b) if to IMATION: Imation Corp.
General Counsel
P. O. Box 64898
St. Paul, MN 55164-0898
Facsimile:

20.3 Either party may change its address for notice by giving notice in accordance with Sections 20.1 and 20.2.

21. GENERAL TERMS.

21.1 This Agreement will be governed by the laws of the State of Minnesota.

22.2 Except for 3M's obligation to make payments to IMATION, neither party is liable to the other for damages caused by delays in delivery or performance due to acts of God or other causes beyond its control. During any period where IMATION's performance of this Agreement is made impracticable by any reason stated in this Section, IMATION will allocate any processing capability for delivery in the manner stated in Section 6 of this Agreement.

22.3 This Agreement is binding on and benefits the parties, their successors and permitted assigns.

22.4 IMATION and 3M do not in any way or for any purpose intend to become partners in the conduct of a business or otherwise, or joint venturers, or members of a joint enterprise under this Agreement. The relationship will be one of manufacturer and purchaser. Neither party will have any authority to obligate, or to otherwise act as representative of, or agent for, the other party for any purpose, and neither party will make any representations or hold itself out as having such authority.

22.5 This Agreement may only be modified by a written amendment signed by both parties. A course of conduct or performance does not modify or amend this Agreement unless subsequently ratified by a written and mutually agreeable amendment.

22.6 This Agreement and all Exhibits constitute the entire Agreement between the parties with respect to its subject matter and supersede all prior agreements, proposals, understandings and other communications, if any, whether oral or written, pertaining to such subject matter. In the event of any conflict between this Agreement or any Exhibit and any documents used by the parties in performing their obligations under this Agreement or any Exhibit, the provisions of this Agreement and the relevant Exhibit will govern.

22.7 All Section headings are included for reference only and will not affect the meaning of the relevant Sections. All references to "Section" mean a Section of this Agreement and all references to a "party" or the "parties" mean a party or the parties to this Agreement.

ACCEPTED AND AGREED TO:

MINNESOTA MINING AND
MANUFACTURING COMPANY
(3M)

IMATION CORP.
(IMATION)

By: _____
Livio D. DeSimone
Chairman of the Board and
Chief Executive Officer

By: _____
William T. Monahan
Chief Executive Officer

Date: _____

Date: _____

Exhibit A - List of Products

3M SUPPLY AGREEMENT

This Agreement is between MINNESOTA MINING AND MANUFACTURING COMPANY, a Delaware corporation, with its principal offices at 3M Center, St. Paul, Minnesota 55144, and its Affiliates (3M), and IMATION CORP., a Delaware corporation, with its principal offices at 1 Imation Place, Oakdale, Minnesota 55128, and its Affiliates (IMATION).

1. PRODUCTS TO BE SOLD.

1.1 3M agrees to sell to IMATION the raw material, intermediate products and finished products listed in Exhibit A, manufactured, assembled and packaged in accordance with the applicable Product specifications, except as stated in Section 1.3 below (the "Products"). Except for finished Products listed in Exhibit A, IMATION will not resell Products in the form supplied by 3M unless specifically agreed to in writing by IMATION and 3M. Additional products may be added to this Agreement on the mutual written agreement of 3M and IMATION referencing this Agreement.

1.2 3M agrees not to sell Chemical Products to any third party while that Product is being supplied under this Agreement. In order to maintain this exclusivity for a particular Chemical Product, IMATION agrees to purchase one hundred percent (100%) of its Requirements for that Chemical Product from 3M. If IMATION does not purchase its Requirements of a Chemical Product from 3M, IMATION's rights to that Product will convert from exclusive to non-exclusive and 3M will be free to sell that Product to third parties. Nothing in this Section 1.2 will affect the rights and obligations of 3M and IMATION under the Intellectual Property Rights Agreement.

1.3 Non-standard Products are Products listed in Exhibit A for which 3M and IMATION have not yet mutually agreed to a specification. 3M agrees to provide Non-standard Products to IMATION as described in a mutually agreed to purchase order.

1) IMATION will pay 3M for Non-standard Products as stated in Section 3, except that 3M's Factory Cost will be calculated based on 3M's actual costs to produce the Non-standard Products.

2) Section 4 of this Agreement regarding forecasts will not apply to Non-standard Products. For Non-standard Products, IMATION will provide 3M with a rolling six (6) month non-binding forecast each month during the term of this Agreement.

3) Section 8 of this Agreement regarding warranty and remedies will not apply to Non-standard Products. For Non-standard Products, 3M agrees to use its reasonable efforts to meet the Product definition stated in the purchase order. Non-standard Products are supplied to IMATION "AS IS" AND WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE AND ANY IMPLIED WARRANTY ARISING OUT OF A COURSE OF DEALING, A CUSTOM OR USAGE OF TRADE.

2. DEFINITIONS.

2.1 "Affiliate" means any corporation, firm, partnership, individual or other form of business organization as to which the control of the business may be exercised by a party to this Agreement, any corporation firm, partnership,

individual or other form of business organization in which the party has at least fifty percent (50%) ownership interest or the maximum ownership interest it is permitted to have in the county where that business organization exists.

2.2 "Chemical Products" means the chemical Products listed in Exhibit A-1 of this Agreement.

2.3 "Film Products" means the film Products listed in Exhibit A-2 of this Agreement.

2.4 "Miscellaneous Products" means the Products listed in Exhibit A-3 of this Agreement.

2.5 "Factory Cost" means 3M's direct raw material, labor and plant overhead as normally equalized and allocated to the factory unit cost for production of the Products, and excludes any internal 3M intracompany profit markup. Unless otherwise mutually agreed in writing, the initial Factory Cost will be calculated based on the actual rates for labor and plant overhead for the fourth quarter of 1995 and first quarter of 1996, and actual April 1996 raw materials costs. 3M and IMATION agree that non-recurring costs incurred at Caserta during the fourth quarter of 1995 and first quarter of 1996 will not be included in the initial Factory Cost for Film Products.

2.6 "Base Cost" means 3M's Factory Cost for the Product plus six percent (6%) of the Factory Cost for laboratory, engineering and administrative expenses. The initial Base Cost is stated in Exhibit A.

2.7 "Rolling Forecast" has the meaning stated in Section 4.2 of this Agreement.

2.8 "Fixed Zone" has the meaning stated in Section 4.3 of this Agreement.

2.9 "Intellectual Property Rights Agreement" means the agreement entitled "Intellectual Property Rights Agreement" between 3M and IMATION and executed on or about the same date as this Agreement.

2.10 "Effective Date" of this Agreement means the date the distribution is effective, as defined by the Distribution Agreement between 3M and IMATION and executed on or about the same date as this Agreement.

2.11 "Requirements" means IMATION's total manufacturing requirements of the applicable Product, except to the extent that (i) 3M has failed to supply the Product in accordance with this Agreement or is otherwise in default of this Agreement, (ii) 3M is unable to supply the Product for any reason, or (iii) 3M has elected not to reduce its price for the Product to meet a comparable third party offer under Section 3.4

3. PRODUCT PRICES.

3.1 3M agrees to sell Products to IMATION at the applicable Base Cost plus a mark up as follows:

For 1996 - + 5%

For 1997 - + 10%

For 1998 - + 15%

For 1999 and future years under this Agreement - + 15% or as otherwise mutually agreed in writing

The Base Cost will not change during the term of this Agreement except as stated in this Section 3. Prices include packaging suitable for shipment. The prices are F.O.B. 3M's dock delivered to IMATION's designated carrier. The prices do not include any sales, excise, use, value added or other similar taxes. All such taxes will be invoiced to and paid by IMATION unless IMATION provides 3M with appropriate exemption certificates.

3.2 Prices for Film Products will be adjusted as follows:

1) For orders placed during 1996 and 1997, 3M's Factory Cost will be adjusted quarterly and only to the extent of changes in 3M's actual raw material costs for PTA and Mono Ethylene Glycol. The Factory Cost will be adjusted if the prices for Mono Ethylene Glycol and/or PTA change +/- three percent (3%) from the previous review date.

2) Through 1997, every six (6) months 3M and IMATION agree to meet to review any reductions in the labor and plant overhead portion of all Factory Costs. Any Factory Cost savings will be shared equally by 3M and IMATION and reflected in an adjusted Factory Cost.

3) For orders placed during 1998, Factory Cost will be recalculated prior to January 1, 1998, based on the average of 3M's actual Factory Cost during the most recent two (2) calendar quarters for which financial data is available, unless otherwise mutually agreed in writing.

4) For orders placed during 1999 and future years during the term of this Agreement, the Factory Cost will be recalculated annually prior to January 1 of that year, based on the average of 3M's actual Factory Cost during the most recent two (2) calendar quarters for which financial data is available, unless otherwise mutually agreed in writing.

5) IMATION agrees to purchase from 3M the following percentage of its Requirements of those Film Products, as defined by the applicable Product specification, that IMATION was purchasing from 3M on the Effective Date:

For 1996 and 1997 90% of IMATION's Requirements

For 1998 80% of IMATION's Requirements

If IMATION does not purchase its stated percentage of Requirements for a Film Product in accordance with this Section 3.2, 3M will be entitled to discontinue supply of all Film Products without providing notice as stated in Section 16.2.

3.3 Factory Cost for Chemical Products and Miscellaneous Products will be recalculated annually prior to January 1 each year, based on actual costs during the most recent two (2) calendar quarters for which financial data is available, unless otherwise mutually agreed in writing.

3.4 If at any time during the term of this Agreement IMATION is offered a product of comparable or better quality, in quantities comparable to the quantities of those Products purchased under this Agreement, and under comparable terms and conditions at a cost lower than that for a Product under this Agreement within the same market as IMATION, 3M will either reduce its price for the Product to the lower cost within thirty (30) days of receipt of IMATION's notice or IMATION may purchase the Product elsewhere without providing the notice required under Section 16.2.

3.5 If at any time during the term of this Agreement 3M sells to any other customer, other than to Affiliates of 3M, a product of at least comparable quality and at comparable quantity to that of a Product sold to IMATION under this Agreement, within the same market as IMATION at a price lower than that in effect under this Agreement, 3M will give IMATION the benefit of the lower price on all deliveries of that Product which are made during the period when the lower price is in effect.

3.6 Any changes in the prices will apply to orders placed after implementation of the change.

3.7 3M and IMATION agree to meet on a regular basis during the term of this Agreement to review pricing and quality, working towards continuous improvements and targeted price reduction levels.

3.8 3M grants IMATION the right to have 3M's Factory Cost records for all Products (including the initial Base Cost listed in Exhibit A) audited by an independent certified public accountant selected by IMATION and approved by 3M. The independent certified public accountant will agree to treat this information as confidential and will only disclose to IMATION whether or not the costs 3M communicated to IMATION were accurate. IMATION may request an audit no more than twice each year per Product and is responsible for all costs of the auditor. If the accountant determines that any costs were inaccurate, then the Factory Cost will be adjusted accordingly and retroactively for all purchases made at the inaccurate price.

3.9 IMATION grants 3M the right to have IMATION's purchasing records relating to exclusive Products under Section 1.2 and Film Products audited by an independent certified public accountant selected by 3M and approved by IMATION. The independent certified public accountant will agree to treat this information as confidential and will only disclose to 3M whether or not IMATION is meeting its stated percentage of purchase Requirements as stated in Section 1.2 and

Section 3.2-5. 3M may request an audit no more than twice each year per Product and is responsible for all costs of the auditor.

4. FORECAST.

4.1 On execution of this Agreement and on each anniversary of the Effective Date of this Agreement during the term of this Agreement, IMATION will provide 3M with a non-binding written long-range forecast of purchases of Products for the period stated in Exhibit A, by Product number, for 3M's long-range planning purposes. Within thirty (30) days of receipt of IMATION's long-range forecast, 3M will provide IMATION with a non-binding response, outlining 3M's anticipated ability to meet the long-range forecast.

4.2 IMATION will also provide 3M with a rolling twelve (12) month forecast each month during the term of this Agreement (the "Rolling Forecast"). The Rolling Forecast will provide specific release quantities for Products ordered in the Fixed Zone and estimated release quantities for each remaining month. Within thirty (30) days of receipt of IMATION's Rolling Forecast provided on execution of this Agreement and each anniversary date of the Effective Date of this Agreement, 3M will notify IMATION whether 3M has the manufacturing capacity to supply each Product at the levels stated in the Rolling Forecast.

4.3 IMATION agrees that each time it gives 3M a Rolling Forecast, it is making an IMATION commitment to purchase the quantities of Products specified for the period of time stated in Exhibit A (the "Fixed Zone"). 3M may rely on Fixed Zone quantities as a firm commitment in ordering raw materials and scheduling time needed to manufacture the specified quantities of Products in the Fixed Zone. Except for those quantities of Products that fall within the Fixed Zone, the Rolling Forecast will not be construed as a commitment by IMATION to purchase any quantities of Products. When IMATION submits a new Rolling Forecast each month, the new third month Product quantity may not exceed the quantity listed for the fourth month of the previous Rolling Forecast by more than twenty-five percent (25%).

4.4 3M and IMATION agree to accept deviations from the Fixed Zone quantities of +/- ten percent (10%). Any larger deviations must be mutually agreed to in writing by 3M and IMATION. If IMATION wishes to receive quantities which exceed the Fixed Zone quantities by more than ten percent (10%), then IMATION will submit to 3M a written request to deviate from the Fixed Zone quantities. 3M will make a good faith effort to comply with such requests. Within five (5) days after the receipt of a request, 3M will send IMATION a written reply informing IMATION 1) whether or not 3M is in a position to comply with the request and 2) if 3M can comply with the request, the estimated delivery date for the excess quantities.

4.5 This Section 4 will apply unless on the Effective Date of this Agreement the ordering process for a Product was a Kanban system or similar just-in-time inventory system or unless 3M and IMATION mutually agree in writing to use such a system for any Product. For Products using a Kanban or similar system, 3M and IMATION agree to continue using that system during the term of

this Agreement.

5. ORDERS, SHIPMENT AND PAYMENT.

5.1 Lead times for ordering Products are stated in Exhibit A. For Products purchased on a regular basis, IMATION will periodically send 3M Blanket Purchase Orders. A Blanket Purchase Order is not a commitment by IMATION to purchase Products. IMATION will issue Purchase Order Releases against a Blanket Purchase Order which constitutes IMATION's firm commitment to purchase specific quantities of Products stated in the Purchase Order Release and will be consistent with the Fixed Zone quantities. IMATION will issue Purchase Order Releases specifying quantities, delivery dates and the eleven (11) digit Product number.

5.2 Any provision in IMATION's Purchase Order or Purchase Order Release or 3M's invoice that is additional to, conflicts with or differs from the terms and conditions stated in this Agreement, except as to identification and quantity of Products involved, will not govern the purchase. All orders are governed by the provisions of this Agreement.

5.3 IMATION will send all purchase orders to the applicable address stated in Exhibit A.

5.4 3M will use its reasonable efforts to deliver all Product ordered consistent with Sections 4.3 and 4.4 to IMATION's designated carrier on the delivery date stated in the Purchase Order or Purchase Order Release, to the location stated in the order.

5.5 Payment terms are net thirty (30) days from 3M's invoice date for shipments within the U.S. For shipments outside the U.S., payment terms are net sixty (60) days. 3M will not invoice IMATION until the date of delivery of Product to IMATION's designated carrier.

6. PRODUCT SHORTAGES.

If at any time during the term of this Agreement there is a shortage of any Product, 3M will allocate its available quantities of that Product among its purchasers (including 3M divisions and Affiliates) based on the proportionate amount of Product purchased in the previous six (6) months.

7. PRODUCT QUALITY AND CHANGES.

7.1 Each Product Specification will be agreed to by 3M and IMATION in writing prior to the Effective Date of this Agreement. No changes to the Product Specifications will be made by either party except by mutual written agreement.

7.2 3M will deliver a Certificate of Analysis with each shipment of Products for those Products 3M was supplying a Certificate of Analysis prior to

the Effective Date of this Agreement. 3M will begin delivering a Certificate of Analysis with each shipment of all Chemical Products and Film Products no later than January 1, 1997. The Certificate of Analysis will contain the release results of the Product properties and the test methods used as indicated in the Product Specification.

7.3 Where it has been a practice prior to the Effective Date of this Agreement, 3M and IMATION will mutually conduct Product testing at 3M's facility prior to shipment of the Product to IMATION.

7.4 IMATION and 3M may from time to time submit to the other party a written request to make a change to a Product (a "Change Request"). The requesting party will give the other party at least sixty (60) days prior written notice of the change. If both parties agree to the proposed change, the parties will negotiate in good faith any required Product modification definition, implementation timing, and impact on pricing and non-recurring engineering cost and capital costs. Any information supplied in a Change Request will be considered "Confidential Information" by the disclosing party and subject to Section 13 of this Agreement. 3M agrees to submit a Change Request to IMATION in connection with any known change in:

- 1) any Product formulation, raw materials (including source of supply), or basic methods of manufacturing that may result in a significant alteration of specified properties, or processing, performance or handling characteristics of the Product, or

- 2) the location of the manufacturing facilities of the Product.

3M will not make any of the above changes without the prior written consent of IMATION and will continue to supply IMATION with the existing Product until IMATION has qualified the changed Product.

7.5 3M will provide IMATION with samples of the changed Product for IMATION's evaluation and testing on IMATION's request. If the change was requested by IMATION, IMATION will pay for the samples. If the change was requested by 3M, 3M will pay for the samples. If the change was jointly initiated, the cost of the samples will be shared equally.

8. WARRANTY AND LIMITATION OF REMEDIES; TIME LIMIT FOR FILING ACTION.

8.1 The following warranty and limited remedy are included in the purchase price of the Products:

THE FOLLOWING WARRANTY IS MADE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE AND ANY IMPLIED WARRANTY ARISING OUT OF A COURSE OF DEALING, A CUSTOM OR USAGE OF TRADE:

3M warrants that Products will meet the Specifications and be free from defects in manufacture and material for a period of time stated in Exhibit A, from the date of delivery to IMATION's designated carrier. For defects occurring within the warranty period and about which 3M has received notice within the warranty period, IMATION's exclusive remedy and 3M's sole obligation will be, at 3M's option, to replace the quantity of the Product which is proved to be defective or to refund the purchase price of that quantity. 3M will pay IMATION for any shipping costs for replacement Product. IMATION will obtain a return authorization number from 3M prior to returning any defective Product.

8.2 If IMATION believes that a unit of a Product is defective, IMATION will document its assessment and rationale in writing to 3M. 3M will have the right to evaluate all alleged defects in the specified Product. If requested by 3M, IMATION will return allegedly defective Product to 3M's manufacturing facility, at 3M's cost, for evaluation by 3M. 3M will evaluate the allegedly defective Product submitted by IMATION within thirty (30) days of receipt of IMATION's documentation, unless otherwise agreed by 3M and IMATION. If 3M does not confirm the alleged defect, 3M will document its assessment and rationale to IMATION.

8.3 No employee of 3M or any other party is authorized to make any warranty in addition to the warranty made in this Agreement.

8.4 Any action for breach of warranty or other breach of obligation under this Agreement must be begun within two (2) years after the breach occurs.

9. LIMITATION OF LIABILITIES.

9.1 The limited remedy set forth in Section 8.1 above is IMATION's exclusive remedy in the event of a breach of warranty under this Agreement. In no case will 3M be liable for any other direct, indirect, special, incidental or consequential damages based on breach of warranty under this Agreement.

9.2 In no case will 3M be liable for any direct damages based on negligence, strict liability or any legal theory other than breach of contract.

9.3 In no case will 3M be liable for any indirect, special, incidental or consequential damages based on negligence, strict liability, breach of contract or any other legal theory.

9.4 In no case will IMATION be liable for any direct, indirect, special, incidental or consequential damages to 3M if IMATION discontinues purchasing a Product under this Agreement, or for reliance by 3M on non-binding forecasts provided to 3M under Sections 4.1 and 4.2.

10. INDEMNIFICATION.

10.1 IMATION agrees to indemnify, defend and hold harmless 3M, its

directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the Products supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which 3M may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Section 10 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this Agreement.

10.2 If 3M intends to claim indemnification under this Section 10, 3M will promptly notify IMATION in writing of any claim, action, or demand for which 3M intends to claim indemnification. In addition, 3M will promptly notify IMATION in writing if 3M elects to waive its right to have IMATION defend the claim, action, or demand. If 3M does not waive its right to have IMATION defend the claim, action, or demand, 3M agrees that IMATION will control the defense of the claim, action, or demand. 3M will cooperate fully with IMATION and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. 3M will permit IMATION to settle any claim, action, or demand and agrees that IMATION will control the settlement, provided, however, that such settlement does not adversely affect 3M's rights under this Agreement or impose any obligations on 3M in addition to those stated in this Agreement. IMATION, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to 3M of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by 3M without the prior written consent of IMATION.

11. REGULATORY COMPLIANCE.

11.1 3M represents that the Products have been manufactured and sold in compliance with all applicable federal, state and municipal laws, rules and regulations.

11.2 3M certifies to IMATION that each of the component chemicals contained in each Product has been manufactured 1) in compliance with the Pre-Manufacture Notice requirements of the United States Toxic Substance Control Act or the new chemical notification regulations in the country in which it is manufactured, and 2) in compliance with new chemical notification regulations in countries outside the U.S. in which the Product is being sold as of the Effective Date of this Agreement. For Products for which 3M will be the importer of record, 3M will maintain compliance with new chemical notifications required by law in countries outside the U.S. as long as the Product is supplied under this Agreement. On IMATION's request, 3M will provide IMATION information regarding the status of a component of a Product on inventories outside the U.S. Also on IMATION's request, IMATION will have the right to review 3M's file of TSCA Section 8(c) "Records of Allegations of Significant Adverse Reactions" solely as they relate to components of Products.

11.3 Each party will be responsible for the final and proper disposal of all waste material and hazardous waste material generated in their respective manufacturing operations.

12. USE OF IMATION EQUIPMENT.

12.1 For supply of some Products, IMATION may furnish 3M various pieces of equipment to be used by 3M solely to supply the Products under this Agreement (the "Equipment"). 3M acknowledges that all Equipment, together with all drawings and other documentation related to the Equipment are the property of IMATION. IMATION will pay all applicable personal property taxes that pertain to the Equipment.

12.2 3M agrees to execute a UCC-1 financing statement, to be filed by IMATION, as an acknowledgment that the Equipment in the custody of 3M is owned by IMATION. Where practical, pieces of Equipment will be marked with an IMATION identification number. 3M will not sell, transfer, or remove the Equipment from 3M's place of business. In addition, 3M will not allow any third party to obtain a mortgage, security interest, lien, or any other type of encumbrance in or on the Equipment.

12.3 3M acknowledges that IMATION has made absolutely no representations or statements about the character, condition, quality or characteristics of the Equipment. Before using the Equipment, 3M will do whatever is necessary to make certain that the Equipment is in a safe and proper working condition for its intended use. IMATION NEITHER EXPRESSES NOR IMPLIES ANY WARRANTIES AS TO THE QUALITY OR CONDITION OF THE EQUIPMENT AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IMATION EXPRESSLY DISCLAIMS ANY REPRESENTATIONS ABOUT THE CONDITION, QUALITY, CAPACITY OR OTHER CHARACTERISTIC OF THE EQUIPMENT. This section applies regardless of whether IMATION has paid or offered 3M any consideration for use of the Equipment.

12.4 Except as stated in Section 12.7, 3M will not make any alteration in the Equipment without the prior written approval of IMATION.

12.5 The Equipment will be used SOLELY AND EXCLUSIVELY for supplying Products under this Agreement and will not be used for any other purpose whatsoever without the prior written approval of IMATION.

12.6 IMATION may inspect the Equipment and related documentation at all reasonable times during normal business hours.

12.7. During the time the Equipment is in 3M's possession, 3M will at its own expense:

- 1) service the Equipment regularly and maintain the Equipment in good operating condition at all times in accordance with the schedule provided by IMATION;

2) not allow the Equipment to be misused or to deteriorate, ordinary wear and tear excepted;

3) provide all routine repair and maintenance for the Equipment. Major or extraordinary maintenance costs incurred will be borne by IMATION, subject to IMATION's prior written approval for 3M to undertake those costs.

12.8 IMATION has the full risk of loss and damage as to any Equipment and related documentation in 3M's care, custody or control. IMATION waives subrogation against 3M for any loss or damage to any Equipment or related documentation in 3M's care, custody or control.

12.9 On discontinuation of the Product associated with the Equipment under this Agreement, 3M will return any and all Equipment and related documentation to IMATION in the same condition as originally received, loss, damage and reasonable wear and tear excepted. IMATION will pay the cost of tear down, crating and shipping the Equipment and restoring the premises to their original condition at the time the Equipment was installed, reasonable wear and tear excepted. If for any reason 3M fails to comply promptly with a request to return Equipment, IMATION will have the right to peaceably enter 3M's premises during normal business hours to remove the Equipment and IMATION may take all action permitted by law to immediately recover the Equipment. 3M will on demand reimburse IMATION for all actual and reasonable costs IMATION incurs in recovering the Equipment (including reasonable attorney's fees and other expenses of litigation). 3M expressly waives any rights or remedies 3M may have with regard to the Equipment, including but not limited to any right 3M may have to notice and a hearing or to a bond, undertaking, or surety before a writ of replevin, order of seizure, or similar writ or order will issue or become enforceable.

13. CONFIDENTIAL INFORMATION.

13.1 As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

1) "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the Effective Date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the Effective Date of this Agreement under the terms and for purposes of this Agreement except for:

(i) information learned by IMATION for the first time after the Effective Date of this Agreement, but prior to any disclosure by 3M;

(ii) information which is or becomes publicly available through no act of IMATION, from and after the date

of public availability;

(iii) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Effective Date and/or disclosed by 3M under this Agreement;

(v) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or retained by IMATION under this Agreement or the Intellectual Property Rights Agreement.

(vi) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, composition, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business remaining with 3M on the Effective Date; and

(vii) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

2) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the Effective Date and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(i) information learned by 3M for the first time subsequent to the Effective Date of this Agreement, but prior to any disclosure by IMATION;

(ii) information which is or becomes publicly available through no act of 3M, from and after the date of

public availability;

(iii) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by 3M independent of any confidential IMATION information which is known by 3M on the Effective Date and/or disclosed by IMATION under this Agreement;

(v) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights Agreement.

(vi) information which is developed by a business which remains with 3M on the Effective Date and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business being transferred to IMATION on the Effective Date; and

(vii) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date of such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

13.2 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the Effective Date shall be considered

to be the Effective Date.

13.3 3M and IMATION each shall not disclose to another or use except for purposes of this Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.

13.4 Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.

13.5 Each party shall insure that its Affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.

13.6 The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed under this Agreement may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

14. PATENT INFRINGEMENT.

14.1 3M will indemnify, defend and hold IMATION harmless from all cost, expense and liability, including attorney's fees, arising out of any claim or action based on actual or alleged infringement by Products, as shipped by 3M to IMATION, of any third party Letters Patent, copyright, trade secret or other proprietary interest; with the proviso that 3M will have no liability to IMATION for any actual or claimed infringement arising out of (1) compliance by 3M with detailed designs, plans or specifications furnished by IMATION unless such infringement would arise independent of such designs, plans and specifications, (2) use of Products by IMATION in combination with other equipment or materials not reasonably contemplated by 3M or (3) use of Products or any part thereof by IMATION in a manner not reasonably contemplated by 3M.

14.2 IMATION will indemnify, defend and hold 3M harmless from all cost, expense and liability, including attorney's fees, arising out of any claim or action based on actual or alleged infringement by Products, as shipped by 3M to IMATION, of any third party Letters Patent, copyright, trade secret or other proprietary interest to the extent such infringement arises out of (1) compliance by 3M with detailed designs, plans or specifications furnished by IMATION unless such infringement would arise independent of such designs, plans and specifications, (2) use of Products by IMATION in combination with other equipment or materials not reasonably contemplated by 3M or (3) use of Products

or any part thereof by IMATION in a manner not reasonably contemplated by 3M.

14.3 The party seeking indemnification under this Section 14 will give the other party notice of any infringement claim or action which may arise under this Agreement, and will allow the other party at its option to control the defense thereof and will provide at the other party's expense reasonable cooperation in the defense or settlement of and claim or action.

14.4 The terms and conditions of this Section 14 will survive the termination of this Agreement for any reason whatsoever.

15. TERM AND TERMINATION.

15.1 The term of this Agreement will commence on the Effective Date and will continue until terminated as stated in Section 15.2.

15.2 This Agreement may be terminated only as follows:

1) automatically on the discontinuation of the last Product under this Agreement;

2) at any time on thirty (30) days prior written notice to the other party if the other party is in default of its obligations under this Agreement and has not remedied the default within the thirty (30) day period;

3) subject to applicable bankruptcy laws, by written notice to the other party if bankruptcy or insolvency proceedings are instituted by or against the other party, or if the other party acknowledges its insolvency in any manner, or if the other party is adjudicated a bankrupt, makes an assignment for the benefit of its creditors or proposes or makes any arrangement for the liquidation of its debts; or

4) by written notice to the other party if the other party assigns or delegates this Agreement contrary to Section 18.

15.3 Even after termination, the provisions of this Agreement still apply to all Product ordered, all obligations created or arising, and all transactions and events occurring before the date of termination.

16. DISCONTINUATION OF PRODUCTS.

16.1 3M may discontinue sales of individual Products at any time by giving IMATION written notice, as stated in Exhibit A, prior to the desired discontinuation date. In addition, for Chemical Products and Film Products 3M is supplying on the Effective Date of this Agreement, 3M will continue supplying the Products until IMATION, using good faith efforts, is able to qualify another supplier.

16.2 IMATION may discontinue purchases of individual Products at any time by giving 3M written notice as follows:

1) For Chemical Products, ninety (90) days notice. In addition, IMATION will reimburse 3M for any excess non-returnable raw materials purchased to manufacture Chemical Products.

2) For Film Products, twelve (12) months notice.

3) For Miscellaneous Products, the notice period will be as stated in Exhibit A-3.

16.3 After receipt of a notice of discontinuing a Product, IMATION's orders for that Product may not exceed one hundred twenty-five percent (125%) of the most recent Rolling Forecast.

16.4 This Section 16 does not apply if IMATION discontinues purchases under Section 3.4 or if the discontinuation is due to IMATION closing a manufacturing facility or ceasing to market an IMATION product which uses a Product in its manufacture. If the discontinuation is for a reason stated in this Section 16.4, IMATION will give 3M as much notice as reasonably practical.

17. MANUFACTURE OF PRODUCTS BY A THIRD PARTY VENDOR OR IMATION.

17.1 On occurrence of one of the events contemplated by Section 17.4, 3M shall elect, at 3M's sole option, one of the following alternatives: Option A, select and grant a royalty-free, nonexclusive license to a third party vendor to manufacture the particular Product concerned for IMATION, provided that any proposed third party vendor shall be subject to IMATION's reasonable approval; or Option B, grant a royalty-free license to IMATION solely to manufacture or have manufactured the particular Product concerned, provided that any proposed third party selected by IMATION in exercising its rights to have manufactured shall be subject to 3M's reasonable approval. Both Option A and Option B shall be in accordance with the other provisions of this Section 17. If it appears likely that 3M will elect to resume supplying a Product under Section 17.5, IMATION will exercise such licenses in a manner to facilitate that resumption and minimize associated costs.

17.2 3M shall provide to any third party vendor pursuant to Option A, or to IMATION or any third party selected by IMATION pursuant to Option B, at 3M's expense, reasonable technical assistance to allow the third party vendor, IMATION or any third party selected by IMATION, as the case may be, to manufacture the particular Product concerned, such technical assistance not to exceed ten (10) person-days.

17.3 Any license under proprietary information disclosed by 3M to any third party vendor, IMATION or any third party selected by IMATION pursuant to this Section 17 is strictly limited to use of such proprietary information by the recipient for manufacturing the particular Product concerned for subsequent use in manufacturing products to be sold by IMATION, and the license includes no

other rights whatsoever. Any third party selected pursuant to Option A or B shall further be subject to restrictions on disclosure at least as stringent as those contemplated in Section 12. Any patent license pursuant to this Section 17 is strictly limited to the manufacture of the particular Product concerned, using the proprietary information which is disclosed to the third party vendor, IMATION or any third party selected by IMATION, for subsequent use in manufacturing products to be sold by IMATION, and the license includes no other rights whatsoever. Further, any license under proprietary information and/or patents granted under this Section 17 pursuant to Section 17.4-4) shall be limited to the manufacture of such quantities of Product in excess of the quantity 3M notified IMATION it has the manufacturing capacity to supply pursuant to Section 4.2.

17.4 Occurrence of any of the following shall constitute an event requiring 3M to elect Option A or Option B pursuant to Section 17.1:

1) 3M notifies IMATION in writing that it will discontinue the supply of a Product under Section 17 of this Agreement which IMATION still wishes to purchase for a sustained period of time in quantities substantially comparable to quantities purchased from 3M previously. Such discontinuation, if the result of force majeure, shall take effect immediately upon issuance of such written notice. Such discontinuation, if not the result of force majeure, shall not take effect until after the time period for notice of discontinuation stated in Exhibit A.

2) IMATION provides to 3M written notification that at least twenty percent (20%) of a Product supplied by 3M to IMATION materially does not comply with mutually agreed Product Specification, and after a period of four (4) consecutive months 3M has not brought the Product into material compliance with the Product Specification despite cooperation from IMATION in attempting to bring the Product into compliance with the Product Specification.

3) 3M places the Product on allocation such that IMATION receives less than sixty (60%) of its Requirements of that Product for more than six (6) consecutive months.

4) 3M notified IMATION under Section 4.2 that 3M does not have the manufacturing capacity to supply a Product at the level stated in IMATION's Rolling Forecast.

17.5 If 3M's discontinuation of supply of a Product to IMATION is as a result of force majeure or as a result of Sections 17.4-2), 3) or 4), resulting in implementation of Option A or Option B, 3M may elect to resume supplying the particular Product concerned to IMATION. In the event that 3M elects to resume supply of the particular Product concerned pursuant to this Section 17.5, any licenses under proprietary information and patents granted under this Section 17 terminate forthwith upon such resumption of supply from 3M. 3M and IMATION agree to work together to affect the resumption of supply from 3M in a reasonable manner.

17.6 IMATION shall indemnify and hold 3M harmless from any and all loss or liability for any and all claims, causes of action, suits, proceedings, losses, damages, demands, fees, expenses, fines, penalties and costs (including without limitation reasonable attorney's fees, costs and disbursements) arising from any injury or alleged injury to any person or business for property damage, personal injury or incidental, special or consequential damages caused by any Products made or processes performed under the license granted under this Section 17.

18. ASSIGNMENT.

18.1 Neither party may assign or transfer this Agreement or any of its rights and obligations under this Agreement without the prior written consent of the other party, except that IMATION may assign or transfer all or part of this Agreement to a purchaser of or successor in interest in all or a portion of IMATION's businesses.

18.2 If IMATION assigns or transfers all or part of this Agreement to a purchaser or successor in interest, the pricing for Products as stated in Section 3 will continue for a period of one (1) year and will then convert to market pricing mutually agreed to by 3M and the purchaser. All other provisions of the Agreement will remain in effect, except as follows:

1) Any right to purchase Products so assigned or transferred shall be strictly limited to the right to purchase such Products required for use in manufacturing products previously manufactured by IMATION before such assignment or transfer and any future products resulting from the normal progression of the business and technology of such products.

2) Any licenses which thereafter are granted pursuant to Section 17 to or on behalf of the purchaser or successor in interest shall be royalty-bearing, with terms commensurate with industry standards.

3) Any purchaser or successor in interest shall agree in any such assignment or transfer to utilize reasonable efforts to find an alternative source of supply not dependent upon intellectual property owned by 3M to obviate the need for any licenses from 3M in the first instance.

19. DISPUTE RESOLUTION.

19.1 The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Section 19.11, these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

19.2 A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

19.3 If, within thirty (30) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

19.4 The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

19.5 The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session.

1) If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 19.6. The arbitration proceeding shall be held in Minnesota and shall be governed by the United States Arbitration Act, 9 U.S.C. ss.ss. 1-16. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction.

2) The parties' obligation under this Section 19 to submit dispute to binding arbitration in lieu of seeking judicial resolution of their disputes shall expire on July 1, 2001.

19.6 The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

19.7 The costs of arbitration shall be apportioned between the parties

as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

19.8 Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Section and requesting arbitration after having participated in negotiation and mediation under this Section.

19.9 All negotiations and mediations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

19.10 All negotiation, mediation and arbitration proceedings under this Section shall be treated as Confidential Information and shall not be disclosed to any third party unless a party is legally required to disclose the information. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

19.11 Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

20. NOTICES.

20.1 All notices will be in writing and will be delivered by courier, facsimile transmission or prepaid first class mail. Notices delivered by courier or facsimile transmission will be deemed to have been given on the date of delivery. Notices delivered by first class mail will be deemed to have been given on the next business day after date of mailing.

20.2 All notices will be addressed as follows and to the appropriate contact person for the Product as listed in Exhibit A:

- (a) if to 3M: Minnesota Mining and Manufacturing Company
Vice President, Legal Affairs
Building 220-14W-01
3M Center
St. Paul, MN 55144-1000
Facsimile: 612/736-7859

- (b) if to IMATION: Imation Corp.
General Counsel
P.O. Box 64898
St. Paul, MN 55164-0898

20.3 Either party may change its address for notice by giving notice in accordance with Sections 20.1 and 20.2.

21. GENERAL TERMS.

21.1 This Agreement will be governed by the laws of the State of Minnesota.

21.2 Except for IMATION's obligation to make payments to 3M, neither party is liable to the other for damages caused by delays in delivery or performance due to acts of God or other causes beyond its control. During any period where 3M's performance of this Agreement is made impracticable by any reason stated in this Section, 3M will allocate any processing capability for delivery in the manner stated in Section 6 of this Agreement.

21.3 This Agreement is binding on and benefits the parties, their successors and permitted assigns.

21.4 3M and IMATION do not in any way or for any purpose intend to become partners in the conduct of a business or otherwise, or joint venturers, or members of a joint enterprise under this Agreement. The relationship will be one of manufacturer and purchaser. Neither party will have any authority to obligate, or to otherwise act as representative of, or agent for, the other party for any purpose, and neither party will make any representations or hold itself out as having such authority.

21.5 This Agreement may only be modified by a written amendment signed by both parties. A course of conduct or performance does not modify or amend this Agreement unless subsequently ratified by a written and mutually agreeable amendment.

21.6 This Agreement and all Exhibits constitute the entire Agreement between the parties with respect to its subject matter and supersede all prior agreements, proposals, understandings and other communications, if any, whether oral or written, pertaining to such subject matter. In the event of any conflict between this Agreement or any Exhibit and any documents used by the parties in performing their obligations under this Agreement or any Exhibit, the provisions of this Agreement and the relevant Exhibit will govern.

21.7 All Section headings are included for reference only and will not affect the meaning of the relevant Sections. All references to "Section" mean a Section of this Agreement and all references to a "party" or the "parties" mean a party or the parties to this Agreement.

ACCEPTED AND AGREED TO:

MINNESOTA MINING AND

IMATION CORP.

By: _____
Livio D. DeSimone
Chairman of the Board and
Chief Executive Officer

By: _____
William T. Monahan
Chief Executive Officer

Date: _____

Date: _____

- Exhibit A - List of Products
 - Exhibit A-1 - Chemical Products
 - Exhibit A-2 - Film Products
 - Exhibit A-3 - Miscellaneous Products

SALES AGENCY AGREEMENT

THIS AGREEMENT is entered into between MINNESOTA MINING AND MANUFACTURING COMPANY, 3M Center, St. Paul, Minnesota 55144 (3M) and IMATION ENTERPRISES CORP., 1 Imation Place, Oakdale, Minnesota 55128 (IMATION).

1. PURPOSE AND SCOPE OF APPOINTMENT

1.1 IMATION wishes to appoint certain business units of 3M as a non-exclusive sales agent to solicit orders for the IMATION products of certain IMATION business units from certain 3M customers located in the forty-eight contiguous states of the United States of America.

1.2 A separate exhibit (an "Exhibit") will be signed for each sales agency relationship between a IMATION business unit and a 3M business unit. Each Exhibit will identify the IMATION business unit, the 3M business unit, the IMATION products the 3M business unit is authorized to represent (PRODUCTS), the customers the 3M business unit is authorized to call on, the commission the 3M business unit will receive, the effective date of the appointment and any special conditions relating to the appointment.

1.3 This Agreement does not give 3M any exclusive rights or access to PRODUCTS. IMATION reserves the right to sell PRODUCTS in any other lawful manner, including but not limited to sales through other independent sales agents, sales to distributors, dealers and wholesalers and direct sales to customers.

2. TERM

The Agreement term (the "Term") will commence on July 1, 1996 and will continue until the Agreement has been terminated pursuant to the termination provisions in Section 13 below.

3. AGENT DUTIES

3.1 3M shall solicit orders for PRODUCTS in a manner which will best generate increased sales of such PRODUCTS to the customers listed in the Exhibits (CUSTOMERS). In addition, 3M agrees to perform any specific tasks listed in the Exhibits. All such orders shall be solicited in accordance with the prices and conditions of sale established by IMATION in accordance with Section 4 below.

3.2 3M shall receive orders for PRODUCTS from CUSTOMERS on behalf of IMATION but shall transmit such orders to IMATION at an address specified by IMATION for acceptance or rejection. 3M is not authorized to bind IMATION to any proposals, orders or agreements relating to the sale of PRODUCTS. IMATION shall not be required to accept any order obtained by 3M and may in its sole discretion reject any or all of such orders.

3.3 3M shall not make any representations, warranties, claims or other statements with respect to PRODUCTS except as contained in technical data sheets, promotional and advertising material, brochures, catalogs, or other product literature published by IMATION. 3M shall not make or omit to make any statements which could reasonably be interpreted to create any warranty or guarantee with respect to any PRODUCTS which in any way differs from the warranties or guaranties contained in the IMATION materials provided to 3M. 3M shall not create or use any sales materials with respect to PRODUCTS unless such materials have been previously approved by IMATION in writing.

3.4 CUSTOMER inquiries to 3M concerning PRODUCTS and any issues related to the performance or alleged non-performance of PRODUCTS shall be communicated promptly to IMATION.

3.5 3M shall be solely responsible for all out-of-pocket expenses incurred by 3M or any of 3M's personnel in performing 3M's obligations under this Agreement. 3M's entire compensation for services performed under this Agreement is set out in Section 6.

3.6 Upon request by IMATION, 3M will make reasonable efforts to assist IMATION in collecting past due amounts. However, 3M shall have no financial obligation to IMATION in respect to such past due amounts.

4. PRICES AND CONDITIONS OF SALE

IMATION shall in its sole discretion determine the prices and conditions of sale under which it shall sell PRODUCTS. In soliciting orders for PRODUCTS, 3M shall quote only the applicable prices and conditions of sale as established by IMATION for such PRODUCTS from time to time during the Term. IMATION may change such prices and conditions of sale at any time without

advance notice, provided that IMATION promptly communicates any such changes to 3M.

5. SALES BY IMATION

5.1 Sales of PRODUCTS resulting from 3M's efforts under this Agreement shall be construed as sales directly from IMATION to the CUSTOMER and not as sales from 3M to such CUSTOMER.

5.2 Acceptance of any order for PRODUCTS by IMATION is conditional upon receipt of full payment for such order. IMATION may cancel any such acceptance at any time and for any reason without incurring any obligation to 3M. IMATION will notify 3M of all canceled orders for PRODUCTS.

5.3 IMATION will make all billings directly to the CUSTOMERS and IMATION will be responsible for and assume all risks, including credit, normally incident to such sales.

6. COMMISSION

6.1 As used in this Section 6:

(a) "Commission" means a commission equal to the percentage listed in the applicable Exhibit of the Net Selling Price of the PRODUCTS listed in such Exhibit, unless otherwise provided in an Exhibit.

(b) "Net Selling Price" means the invoice price of each PRODUCT invoiced to a CUSTOMER minus all sales, use, value added, excise and other similar taxes, customs duties, freight and transportation charges and all trade discounts or other allowances actually made with respect to such invoiced sales.

6.2 In consideration of and in full payment for all services provided by 3M under this Agreement, IMATION shall pay to 3M a Commission on PRODUCTS sold during each month of the Term while the relevant Exhibit is in effect.

(a) As long as 3M continues to share its current financial system with IMATION, Commissions earned under this Agreement will be billed to IMATION by 3M charging the net amount due to the appropriate IMATION commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. IMATION will pay 3M the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, amounts due under this Agreement will be billed and paid for as provided below.

(b) If the Commission is a percentage of PRODUCTS sales, then such Commission shall be payable within thirty (30) business days following the end of the relevant month based on invoices actually rendered for such PRODUCTS during the month.

(c) If the Commission is some other amount, then 3M will bill IMATION for amounts due as provided in the applicable Exhibit and IMATION will pay the invoice within thirty (30) days after the invoice date.

6.3 Commission shall be payable only if it has been earned by 3M during the Term. Commission earned by 3M during the Term but payable after termination shall be governed by Section 13.3.

6.4 If any order upon which a Commission has been paid is canceled, or if IMATION accepts PRODUCTS for return from a CUSTOMER, or if payment for any shipment is not received by IMATION, then the relevant Commission shall be deducted from any future Commissions earned by 3M. If such future Commissions are insufficient to offset the full amount of such deduction, then 3M shall repay to IMATION the balance of such overpaid Commission.

7. RECORDS

7.1 During the Term 3M shall maintain at its head office accurate books, records and data pertaining to this Agreement (collectively, the "3M Records") and shall make such 3M Records available to IMATION or its authorized representatives for review during normal business hours. All 3M Records shall be retained by 3M during the Term and for a period of one (1) year following termination of this Agreement.

7.2 During the Term IMATION shall maintain at its head office accurate books, records and data pertaining to this Agreement (collectively, the "IMATION Records") and shall make such IMATION Records available to 3M or its authorized representatives for review during normal business hours. All IMATION Records shall be retained by IMATION during the Term and for a period of one (1) year following termination of this Agreement.

8. RELATIONSHIP OF PARTIES

8.1 3M enters into and agrees to perform its obligations under this Agreement as an independent contractor. 3M's personnel who assist in providing services under this Agreement are the employees or agents of 3M and not IMATION.

8.2 3M agrees that since none of its employees or agents are employees of IMATION:

(a) no workers' compensation insurance, unemployment insurance, pension plans, health insurance, life insurance or other benefits and protections made available by IMATION to its employees will apply to 3M's employees;

(b) IMATION will not be responsible for withholding from any Commissions payable to 3M any state or federal income taxes, social security taxes, unemployment tax, workers' compensation taxes or any other payroll taxes; and

(c) 3M shall be solely responsible for the payment of all taxes due in respect of Commissions paid to 3M under this Agreement.

8.3 Neither party shall be liable for third party claims resulting from any acts or omissions of the other party in the performance of this Agreement. Each party shall therefore be solely responsible for obtaining and maintaining such insurance as may, in its discretion, be appropriate for the risks assumed by such party under this Agreement.

9. CONFIDENTIAL INFORMATION

9.1 As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

(a) "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the effective date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the effective date of this Agreement under the terms and for purposes of this Agreement except for:

(i) information learned by IMATION for the first time after the effective date of this Agreement, but prior to any disclosure by 3M;

(ii) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(iii) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful; and

(iv) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the effective date of this Agreement and/or disclosed by 3M under this Agreement.

(b) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the effective date of this Agreement and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(i) information learned by 3M for the first time subsequent to the effective date of this Agreement, but prior

to any disclosure by IMATION;

(ii) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(iii) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful; and

(iv) information developed by 3M independent of any confidential IMATION information which is known by 3M on the effective date of this Agreement and/or disclosed by IMATION under this Agreement.

9.2 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the effective date of this Agreement shall be considered to be the effective date of this Agreement.

9.3 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.

9.4 Each party shall protect Confidential Information hereunder by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.

9.5 Each party shall insure that its affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.

9.6 The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

10. LIMITATION OF LIABILITY

10.1 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY UNDER BREACH OF CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR ANY OTHER LEGAL THEORY FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL LOSS, EXPENSE, DAMAGES OR OTHER CLAIMS WHATSOEVER (INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS, COMMISSIONS, INVESTMENT, GOODWILL, BUSINESS OR BUSINESS OPPORTUNITY) ARISING OUT OF OR RESULTING FROM PRODUCTS, THIS AGREEMENT OR THE TERMINATION OF THIS AGREEMENT.

10.2 Section 10.1 shall not apply to any claims by federal, state or local authority or to claims for personal injury, property damage or intellectual property infringement by a third party.

11. USE OF TRADEMARKS

11.1 Except as otherwise provided in other agreements, including but not limited to the Intellectual Property Rights Agreement entered into between the parties as part of the spin-off of IMATION from 3M and subject to Section 11.2, neither party shall use the other party's trademarks, tradenames or logos in any manner which, in the sole discretion of such other party, may be confusingly similar, misleading, detrimental or otherwise objectionable.

11.2 A party may use the other party's trademarks, tradenames or logos in accordance with standards or guidelines previously approved in writing by such other party.

11.3 Neither party shall, at any time, either during or after the Term put in issue the validity of, claim any rights in or disparage or lessen the significance of any trademarks, tradenames or logos of the other party as branding and identifying the products of such other party.

12. DISPUTE RESOLUTION

12.1 The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Section 12.11, these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

12.2 Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding

the dispute, to attempt in good faith to negotiate a resolution of the dispute.

12.3 Submission to Mediation; Cost of Mediation: If, at the conclusion of such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

12.4 Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

12.5 Mediation And Arbitration.

(a) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session. If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 12.6. The arbitration proceeding shall be held in Minnesota, shall be governed by the United States Arbitration Act, 9 U.S.C. SS 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

(b) Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Section 12 to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes, shall expire on July 1, 2001.

12.6 Selection of Arbitrator. The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

12.7 Cost of Arbitration. The costs of arbitration shall be apportioned

between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

12.8 Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Section and requesting arbitration after having participated in negotiation and mediation under this Section.

12.9 Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

12.10 Confidentiality. All negotiation, mediation and arbitration proceedings under this Section shall be treated as Confidential Information in accordance with Section 9. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

12.11 Equitable Relief. Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

13. TERMINATION

13.1 This Agreement may only be terminated as follows:

(a) upon the termination of the last Exhibit to this Agreement;

(b) at any time without cause upon six (6) months prior written notice to the other party;

(c) at any time upon thirty (30) days prior written notice to the other party if such other party is in default of its obligations under this Agreement and has not remedied such default within such thirty (30) day period;

(d) subject to applicable bankruptcy laws, by written notice to the other party if bankruptcy or insolvency proceedings are instituted by or against such other party, or if such other party acknowledges its insolvency in any manner, or if such other party is adjudicated a bankrupt, makes an assignment for the benefit of its creditors or proposes or makes any arrangement for the liquidation of

its debts; or

(e) by written notice to the other party if such other party assigns this Agreement contrary to Section 15.1.

13.2 Individual Exhibits will terminate on the date stated in the Exhibit. If no termination date is stated in the Exhibit, then the Exhibit may be terminated at any time by either party giving the other party written notice at least sixty (60) days prior to the desired termination date.

13.3 If this Agreement or any exhibit is terminated for any reason, all Commissions otherwise payable in connection with orders solicited prior to the effective termination date shall be paid to 3M within thirty (30) days following such date. If such payment would result in an overpaid Commission for any of the reasons set out in Section 6.5, then IMATION may withhold any amount necessary to avoid overpaying 3M.

13.4 The provisions of Sections 7 (Records), 8 (Relationship of the Parties), 10 (Limitation of Liability) and 11 (Use of Trademarks) shall survive termination of this Agreement. The provisions of Section 9 (Confidential Information) shall survive termination for the period referred to in Section 9.2.

14. NOTICE

14.1 All notices shall be in writing and shall be delivered by courier, facsimile transmission or prepaid certified mail, return receipt requested. Notices delivered by courier or facsimile transmission shall be deemed to have been given on the date of delivery. Notices delivered by certified mail shall be deemed to have been given on the date shown on the return receipt.

14.2 All notices shall be addressed as follows:

- (a) if to 3M: Minnesota Mining and Manufacturing Company
Vice President, Legal Affairs
Building 220-14W-01
3M Center
St. Paul, MN 55144-1000
- (b) if to IMATION: IMATION ENTERPRISES CORP.
General Counsel
Imation Legal Department
Bldg. 220-11W-01
I-94 & McKnight Road
St. Paul, MN 55144-1000

14.3 Either party may change its address for notice by giving notice in accordance with Sections 14.1 and 14.2.

15. GENERAL

15.1 Neither party shall assign or transfer this Agreement or any of its rights and obligations under this Agreement to any third party without the prior written consent of the other party.

15.2 This Agreement shall be governed by the laws of the State of Delaware.

15.3 Neither party shall be responsible for any failure or inability to perform its obligations due to causes beyond the reasonable control of such party.

15.4 This Agreement is binding upon and benefits the parties, their successors and permitted assigns.

15.5 This Agreement may only be modified by a written amendment signed by both parties. A course of conduct or performance does not modify or amend this Agreement unless subsequently ratified by a written and mutually agreeable amendment.

15.6 This Agreement and all Exhibits constitute the entire agreement between the parties with respect to its subject matter and supersede all prior agreements, proposals, understandings and other communications, if any, whether oral or written, pertaining to such subject matter. In the event of any conflict between this Agreement or any Exhibit and any documents used by the parties in performing their obligations under this Agreement or any Exhibit, the provisions of this Agreement and the relevant Exhibit shall govern.

15.7 All Section headings are included for reference only and shall not affect the meaning of the relevant Sections. All references to "Section" mean a Section of this Agreement and all references to a "party" or the "parties" mean a party or the parties to this Agreement.

MINNESOTA MINING AND
MANUFACTURING COMPANY

IMATION ENTERPRISES CORP.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

IMATION HIRING 3M SALES AGENCY AGREEMENT EXHIBIT

A. IMATION Business Unit: _____

B. 3M Business Unit: _____

C. Effective Date: _____

D. Termination Date: _____

E. IMATION Products:

F. Customers:

G. Commission: _____

H. Merchandising Program Support:

I. Special Conditions:

ACCEPTED AND AGREED TO:

IMATION ENTERPRISES CORP.

SALES AGENT: MINNESOTA MINING AND
MANUFACTURING COMPANY

By

By

Print Name

Print Name

Title

Title

SERVICES AGREEMENT (3M TO IMATION)

This Agreement, between Minnesota Mining and Manufacturing Company, a Delaware corporation with its principal offices at 3M Center, St. Paul, Minnesota 55144-1000 (3M) and Imation Corp., a Delaware corporation with its principal offices at 1 Imation Place, Oakdale, Minnesota 55128 (IMATION).

1. Description of Services

A. This Agreement sets out the terms and conditions under which 3M will provide services to IMATION as described in Attachments to be negotiated and signed by the parties.

B. During the Agreement term (Term) 3M agrees to do, furnish and pay for all labor, supervision, taxes, equipment, supplies and any and all other things necessary to perform fully and to IMATION's reasonable satisfaction the services described in all Attachments executed by the parties (Services).

C. During the Term IMATION will do, furnish and pay for all things described in all Attachments executed by the parties.

D. A separate Attachment will be signed for each Service to be performed by 3M. Each Attachment will identify (i) the IMATION business unit requesting the Service, (ii) the 3M business unit which will perform the Service, (iii) the effective date, (iv) the Service to be performed, (v) the things to be provided or paid for by IMATION, (vi) the amount to be paid to 3M by IMATION; and (vii) any other special conditions governing the specific Services described in the Attachment.

E. 3M represents to IMATION it has experience and expertise in providing the Services listed in the Attachments.

F. 3M shall provide the Services as a subcontractor to IMATION where the Service described in an Attachment is supporting guaranteed maintenance or other similar service contracts entered into between IMATION and IMATION customers.

G. Subject to any special requirements in any Attachment, if 3M provides services to its own internal organization (Internal Services) comparable to the Services to be provided to IMATION under this Agreement, 3M shall not be obligated to provide Services greater in nature or scope than such Internal Services. During the Term, any improvements in systems, equipment, technology or methods used in or related to such Internal Services will be made available to IMATION as part of the Services, provided however that the parties first agree to any increased cost for Services resulting from such improvements.

2. Service Ordering Procedures

A. IMATION shall send 3M blanket purchase orders for the Services listed in each Attachment. A blanket purchase order is for 3M's planning purposes only and is not a commitment to purchase any particular dollar value of Service. Unless otherwise stated in an Attachment, IMATION shall issue purchase order releases against a blanket purchase order which constitutes IMATION's firm commitment to purchase specific quantities of Services. IMATION will not be responsible for any of 3M's cost or expense for supplies, labor, or other commitments or expenses other than as authorized by written IMATION purchase order releases in 3M's possession. EXCEPT AS SET OUT IN SUCH PURCHASE ORDER RELEASES, IMATION MAKES NO REPRESENTATION OR GUARANTEE AS TO THE DOLLAR VALUE OF SERVICES THAT IMATION WILL PURCHASE UNDER THIS AGREEMENT.

B. The information on the purchase order release will include the purchase order number, description of Service purchased, and, as applicable, routing instructions, delivery schedule and destination.

C. 3M agrees to accept telegraphic or telecopied purchase order releases. IMATION will make its best effort to send a confirming, written purchase order release within two (2) days of such telegraphic or telecopied purchase order release. Unless otherwise provided in an Attachment, 3M will not proceed without the issuance of a purchase order release number by IMATION.

D. The terms and conditions contained on IMATION's purchase orders shall apply to all transactions relating to the Services covered by this Agreement. If IMATION's purchase order terms and conditions contain any specific provisions inconsistent with this Agreement, then this Agreement shall govern and the inconsistent provision of IMATION's purchase order shall be applicable only so far as it is consistent with this Agreement. If IMATION's purchase order terms and conditions contain any specific provisions which address issues not covered by this Agreement, then they will not be part of this Agreement unless they are accepted in writing by 3M.

E. 3M shall only accept purchase order releases that originate from the following IMATION facility, or other location designated by IMATION in writing.

IMATION CORP.
Purchasing Department
1 Imation Place
Oakdale, MN 55128

3. Additional Services

A. If IMATION requests 3M to perform any services beyond the scope of services described in an Attachment, then IMATION will pay 3M a mutually agreed upon amount for performing such additional services.

B. If 3M believes certain services constitutes services beyond the scope of services specified in an Attachment, then the following procedure shall apply:

1) Before performing the services in question, 3M shall bring the matter to IMATION's attention by sending IMATION a letter describing in reasonable detail why such services constitute additional services.

2) Upon receipt of the letter, IMATION will evaluate the services in question and inform 3M in writing of IMATION's position. If IMATION agrees that the services in question constitute additional services, then IMATION and 3M shall negotiate the amount which 3M will charge IMATION if IMATION requests 3M to perform the additional services. IMATION will then inform 3M whether or not IMATION wishes 3M to perform the additional services. If IMATION does not agree that the services in question constitute additional services, then 3M agrees to perform the services in question, keep accurate records of the time spent performing the services in question and reserves the right to seek resolution of the dispute using the procedure described in Section 13 below.

C. If 3M performs any services without following the procedure set forth in Section 3.B above, then 3M shall be deemed to have waived its right to seek additional compensation based upon the claim that such services are beyond the scope of services specified in the Attachment.

4. Costs, Billing and Payment

A. Unless otherwise stated in an Attachment, the price which 3M will charge and IMATION will pay for Services provided under this Agreement will be 3M's Total Cost plus a mark-up of eight percent (8%). For the purposes of this Agreement, "Total Cost" means 3M's actual factory cost for labor and overhead plus any laboratory, engineering and administrative costs expended to provide the Service. The initial Total Cost will be determined based on actual costs from the previous six (6) months. Thereafter, prices will be adjusted at the beginning of each calendar year by recalculating the Total Cost for each Service based on the actual cost for the previous six (6) months.

B. Unless otherwise provided in an Attachment, where an Attachment lists the price of a Service as an hourly rate 3M will invoice IMATION for the amounts listed below, plus the listed hourly rate(s) for 3M employee(s) that the parties agree will perform the relevant Services:

(i) Travel time is chargeable for a 3M employee only to the extent that travel time charges combined with work charges for that employee on any calendar day amount to eight (8) hours or less. Travel is to be completed in the most expeditious manner possible, without any unnecessary stopovers or delays.

(ii) For the expenses of 3M's employees traveling away from

home and overnight on behalf of IMATION, the actual costs of transportation, meals and lodging. (Airfare is to be the most economical rate available, but never more costly than regular carrier coach rate.)

(iii) For long distance telephone calls, facsimile, and telegrams placed in connection with Services provided under this Agreement, the actual cost.

(iv) For printing, reproduction and postage charges incurred in connection with Services provided under this Agreement, the actual cost.

(v) For consultants, associated firms, testing laboratories and other subcontractors used, with IMATION's prior written approval, in connection with Services provided under this Agreement, the actual amounts paid by 3M.

(vi) For computer time incurred directly in connection with Services provided under this Agreement, the actual and reasonable cost.

(vii) For supplies, service parts and other materials purchased to perform Services under this Agreement, the actual cost.

(viii) For automobile mileage charges incurred in connection with Services provided under this Agreement, the rate of Twenty-eight and one-half cents (\$.285) per mile.

(ix) For equipment leased from third parties in connection with Services provided under this Agreement, the actual cost.

C. Unless otherwise provided in an Attachment, any single expenditure on IMATION's behalf in excess of \$1,000 must be pre-approved, in writing, by IMATION.

D. As long as 3M continues to share its current financial system with IMATION, Services performed under this Agreement will be billed to IMATION by 3M charging the net amount due to the appropriate IMATION commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. IMATION will pay 3M the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, amounts due under this Agreement will be billed and paid for as provided in Section 4.E. below. If for any reason an amount due does not get charged to the appropriate IMATION commodity code, then 3M may send IMATION an invoice for the amount due and Section E will apply.

E. Unless otherwise provided in this Agreement or in an Attachment, 3M will send IMATION a monthly invoice, including supporting documentation, for all Services provided during such month. Invoices shall be due and payable within thirty (30) days of receipt. Where the amount due is covered by Section 4.B., invoices must be supported with the following documents:

(i) Time sheets showing for each employee: (a) the actual number of hours spent by day in performing Services under this Agreement, with travel time itemized separately; (b) the type of Service and the payment rate; and (c) the total number of hours and the total dollar amount claimed.

(ii) For transportation, lodging and meal expenses claimed under Section B(ii) above, receipts for all individual expense items exceeding Twenty-five Dollars (\$25.00).

(iii) For long distance telephone charges claimed under Section B(iii) above, invoices or payment receipts.

(iv) For printing, reproduction or postage charges claimed under Section B(iv) above, invoices or payment receipts.

(v) For subcontractor charges claimed under Section B(v) above, invoices or payment receipts.

(vi) For computer time charges claimed under Section B(vi) above, an itemization of all charges.

(vii) For materials and supplies charges claimed under Section B(vii) above, invoices or payment receipts.

(viii) For mileage claimed under Section B(viii) above, an itemization of all charges.

(ix) For equipment leasing charges claimed under Section B(ix) above, invoices or payment receipts.

(x) Any other information or documentation which 3M may reasonably request, including lien waivers.

F. Unless otherwise provided in an Attachment, this Section 4 states 3M's total right to remuneration for Services performed under this Agreement, and includes all payment for 3M's profits and total compensation for all 3M's costs, including statutory coverages (e.g., unemployment insurance, F.I.C.A.), salary and fringe benefits, overhead (including secretarial and other support services), and all other 3M expenses and expenditures, including any applicable sales, use or other taxes.

G. For Services which are priced at 3M's Total Cost plus a markup of eight percent, 3M grants IMATION the right to have 3M's cost records audited by an independent certified public accountant selected by IMATION and approved by 3M. The independent certified public accountant will agree to treat this information as confidential and will only disclose to IMATION whether or not the Total Cost 3M communicated to IMATION was accurate. IMATION may request an audit no more than twice each year per Service. If the accountant determines that the Total Cost is inaccurate, then the Total Cost will be adjusted accordingly.

5. Term and Termination

A. This Agreement takes effect when both 3M and IMATION sign this Agreement (the "Effective Date") and continues in effect until the last Attachment has been terminated or until either party sends the other a written termination notice in accordance with this Section, whichever occurs first. Except as provided in Section 5.C., 3M cannot terminate this Agreement while still obligated to perform Services under an outstanding Attachment. Even after termination, the provisions of this Agreement continue to apply to Services provided, charges incurred, payments made, events occurring and obligations arising before the date of termination.

B. 3M's obligations under this Agreement with respect to a specific Attachment shall begin on the date listed in the Attachment and shall terminate on the earlier of:

(i) where the Attachment provides a fixed term, the expiration date of the term specified in the applicable Attachment;

(ii) the date on which 3M discontinues permanently the provision of such Service to its own internal organization;

(iii) where the Attachment provides an open-ended term, the date of termination contained in the termination notice; or

(iv) the date of termination pursuant to Section 5.C or 5.D, as applicable.

With respect to Section B(ii), 3M agrees to give IMATION written notice at least ninety (90) days before the date 3M discontinues the Service. With respect to Section B(iii), the party terminating the Attachment agrees to give the other party written notice at least ninety (90) days prior to the desired termination date, unless otherwise provided in the Attachment.

C. Subject to Section 12 (Force Majeure), and any special requirements in an Attachment, either party (the "Non-Defaulting Party") may terminate this Agreement upon sixty (60) calendar days prior written notice to the other party (the "Defaulting Party") if the Defaulting Party is in breach of a material obligation under this Agreement and does not remedy such default to the reasonable satisfaction of the Non-Defaulting Party within such sixty (60) day period. In the case of non-payment under Section 4.C, 3M may terminate this Agreement upon seven (7) calendar days prior written notice to IMATION. For purposes of this Section 5.C., good faith disputes regarding the quality or timeliness with respect to any specific Service shall not be deemed a failure to perform a material obligation under this Agreement.

D. If a Non-Defaulting Party is entitled to terminate this Agreement in its entirety under Section 5.C, it may instead, terminate this Agreement in part, upon the same notice provisions as specified in Section 5.C as follows:

(i) If the default relates to the payment for a Service, 3M may terminate this Agreement as to the provision of that Service to IMATION.

(ii) If the default relates to the provision of a Service, IMATION may, in its sole discretion, terminate this Agreement as to the provision of that Service by 3M.

Either party's use of this Section to terminate Services does not waive the Defaulting Party's other obligations under this Agreement nor the Non-Defaulting Party's right to make claims for breach of this Agreement.

6. Confidential Information

A. As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

i. "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the Effective Date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the Effective Date of this Agreement under the terms and for purposes of this Agreement except for:

(1) information learned by IMATION for the first time after the Effective Date, but prior to any disclosure by 3M;

(2) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(3) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(4) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Effective Date and/or disclosed by 3M under this Agreement;

(5) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted or retained by IMATION under this Agreement or the Intellectual Property Rights Agreement;

(6) information which is developed by a business

which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business remaining with 3M on the Effective Date; and

(7) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(ii) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the Effective Date and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(1) information learned by 3M for the first time subsequent to the Effective Date, but prior to any disclosure by IMATION;

(2) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(3) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(4) information developed by 3M independent of any confidential IMATION information which is known by 3M on the Effective Date and/or disclosed by IMATION under this Agreement;

(5) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights Agreement;

(6) information which is developed by a business which remains with 3M on the Effective Date and constitutes

performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business being transferred to IMATION on the Effective Date; and

(7) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

B. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the Effective Date shall be considered to be the Effective Date.

C. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.

D. Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.

E. Each party shall insure that its affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.

F. The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an

"Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

7. Limited Warranty

A. 3M warrants that Services performed under this Agreement will be performed competently and in accordance with industry practices, and any equipment and service parts furnished by 3M will be free of defects in material and manufacture upon installation. Individual Attachments may have additional or different warranties for different Services. 3M MAKES NO OTHER WARRANTIES WITH RESPECT TO SUCH SERVICES AND ANY EQUIPMENT AND SERVICE PARTS FURNISHED BY 3M, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IF ANY FAILURE TO MEET THE FOREGOING WARRANTY APPEARS AND NOTICE THEREOF IS PROVIDED TO 3M WITHIN THE TERM OF THIS AGREEMENT OR WITHIN THIRTY (30) DAYS FROM THE DATE SERVICE WAS PERFORMED, WHICHEVER IS LATER, 3M WILL CORRECTLY RE-PERFORM THE SERVICES IDENTIFIED OR REPLACE OR REPAIR, AT 3M'S OPTION, THE DEFECTIVE EQUIPMENT OR SERVICE PART PROVIDED. THE FOREGOING CONSTITUTES THE SOLE AND EXCLUSIVE REMEDY FOR BREACH OF THIS WARRANTY.

B. No employee of 3M or any other party is authorized to make any warranty in addition to the warranty made in this Agreement or the applicable Attachments.

8. Limitation of Liabilities

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN SECTION 9, (INDEMNIFICATION), NEITHER PARTY SHALL BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR ECONOMIC LOSS, BASED UPON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN TORT OR ANY OTHER LEGAL THEORY, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES (INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS, REVENUE, EQUIPMENT USE, DATA OR INFORMATION OF ANY KIND). EXCEPT AS PROVIDED IN SECTION 9, 3M SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED BY DELAY IN FURNISHING SERVICES UNDER THIS AGREEMENT.

9. Indemnification

9.1 IMATION agrees to indemnify, defend and hold harmless 3M, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the Services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which 3M may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Section 9 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this

Agreement.

9.2 If 3M intends to claim indemnification under this Section 9, 3M will promptly notify IMATION in writing of any claim, action, or demand for which 3M intends to claim indemnification. In addition, 3M will promptly notify IMATION in writing if 3M elects to waive its right to have IMATION defend the claim, action, or demand. If 3M does not waive its right to have IMATION defend the claim, action, or demand, 3M agrees that IMATION will control the defense of the claim, action, or demand. 3M will cooperate fully with IMATION and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. 3M will permit IMATION to settle any claim, action, or demand and agrees that IMATION will control the settlement, provided, however, that such settlement does not adversely affect 3M's rights under this Agreement or impose any obligations on 3M in addition to those stated in this Agreement. IMATION, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to 3M of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by 3M without the prior written consent of IMATION.

10. Insurance

Both IMATION and 3M shall carry insurance of types and in amounts adequate to protect each party's interests under this Agreement.

11. Notices

A. All notices will be in writing and will be delivered by courier, facsimile transmission or prepaid certified mail, return receipt requested. Notices delivered by courier or facsimile transmission will be deemed to have been given on the date of delivery. Notices delivered by certified mail will be deemed to have been given on the date shown on the return receipt.

B. All notices will be addressed as follows:

(i) If to 3M:

Division Vice President
[3M Business Unit listed on applicable Attachment]
Minnesota Mining and Manufacturing Company
3M Center
St. Paul, Minnesota 55144-1000

with a copy to:

Minnesota Mining and Manufacturing Company
Vice President, Legal Affairs
Building 220-14W-01
3M Center
St. Paul, MN 55144-1000

(ii) If to IMATION:

President
IMATION CORP.
1 Imation Place
Oakdale, Minnesota 55128

with a copy to:

IMATION CORP.
General Counsel
Imation Legal Department
Bldg. 220-11W-01
I-94 & McKnight Road
St. Paul, MN 55144-1000

C. Either party may change its address for notice by giving notice in accordance with Sections 11.B.(i) and 11.B.(ii).

12. Force Majeure

Neither party shall be responsible for failure to comply with this Agreement due to causes beyond its reasonable control.

13. Dispute Resolution

A. The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Section 13.K., these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

B. Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

C. Submission to Mediation; Cost of Mediation: If, at the conclusion of such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

D. Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

E. Mediation And Arbitration.

(i) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session. If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 13.F. The arbitration proceeding shall be held in Minnesota, shall be governed by the United States Arbitration Act, 9 U.S.C. SS 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

(ii) Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Section 13 to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes, shall expire on July 1, 2001.

F. Selection of Arbitrator. The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

G. Cost of Arbitration. The costs of arbitration shall be apportioned between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

H. Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Section and requesting arbitration after having participated in negotiation and mediation under this Section.

I. Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of

J. Confidentiality. All negotiation, mediation and arbitration proceedings under this Section shall be treated as Confidential Information in accordance with Section 6. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

K. Equitable Relief. Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

14. Rights To Developments

Ownership and rights in any intellectual property (whether patentable or not) conceived during the course of work under this Agreement up to and including June 30, 1998, will be governed by the Intellectual Property Rights Agreement. For purposes of such Agreement, information conceived hereunder shall be deemed to be 3M or Joint "Foreground IP" and/or "Foreground Patents" and/or "New Material" as the case may be, depending on the party or parties that conceived same (even if such intellectual property does not result from, or is not based upon, technical Background PI and/or Assigned PI and/or 3M Licensed Works as defined in the Intellectual Property Rights Agreement). Furthermore, for purpose of the Intellectual Property Rights Agreement, ownership and rights in any intellectual property conceived during the period July 1, 1997, up to and including June 30, 1998, shall be treated the same as if conceived between July 1, 1996, up to and including June 30, 1997. If any services are to be provided under this Agreement after June 30, 1998, the parties agree to negotiate mutually acceptable provisions by June 30, 1998, regarding ownership and rights in any intellectual property conceived during the course of work under this Agreement after June 30, 1998.

15. General Terms

A. This Agreement may not be assigned in whole or in part by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. It shall not be unreasonable for IMATION to withhold consent to assignment of this Agreement to a competitor of IMATION. Any assignment, delegation or transfer of this Agreement or any interest therein, whether by merger, acquisition or change of corporate form, without written consent of the other party is void and cause of termination of this Agreement. Nothing in this Agreement shall be construed to grant any person or entity not a party hereto any rights or powers whatsoever; and no person or entity shall be a third party beneficiary of this Agreement.

B. This Agreement and all matters related to its making and performance, and all rights or remedies arising under or related to the

Agreement will be governed exclusively by the laws of the State of Minnesota.

C. This Agreement is binding on and benefits the parties, their successors and permitted assigns.

D. 3M and IMATION do not in any way or for any purpose intend to become partners in the conduct of a business or otherwise, or joint ventures, or members of a joint enterprise under this Agreement. The relationship will be one of service provider and purchaser. Neither party will have any authority to obligate, or to otherwise act as representative of, or agent for, the other party for any purpose and neither party will make any representations or hold itself out as having such authority. The employees of either party are not under any circumstances the employees of the other party.

E. This Agreement may only be modified by a written amendment signed by both parties. A course of conduct or performance does not modify or amend this Agreement unless subsequently ratified by a written and mutually agreeable amendment.

F. This Agreement and all Attachments constitute the entire agreement between the parties with respect to its subject matter and supersede all prior agreements, proposals, understandings and other communications, if any, whether oral or written, pertaining to such subject matter. In the event of any conflict between this Agreement or any Attachment and any other documents used by the parties in performing their obligations under this Agreement or any Attachment, the provisions of this Agreement and the relevant Attachment will govern. In the event of any conflict between this Agreement and any Attachment, the provisions of the Attachment will govern.

G. All Section headings are included for reference only and will not affect the meaning of the relevant Sections. All references to "Section" mean a section of this Agreement and all references to a "party" or the "parties" mean a party or the parties to this Agreement. All Attachments are incorporated herein by reference and form part of this Agreement.

ACCEPTED AND AGREED TO:

MINNESOTA MINING AND
MANUFACTURING COMPANY

IMATION CORP.

By:

By:

Date:
Service Attachments

Date:

3M TO IMATION
Service Attachment

1. IMATION Business Unit Requesting Service: _____

2. 3M Business Unit Performing Service: _____

3. Term: _____

4. Notice Period for Termination: _____ days

5. Service to be Performed by 3M:

6. Amount to be Paid by IMATION for Service:
|_| Fixed Dollar Amount/Time Period: _____
|_| Hourly Rate: \$_____/hr
|_| Measurable Unit of Service x Charge/measurable unit: _____
|_| Other _____

7. Things to be Provided or Paid for by IMATION (if any):

8. Special Conditions:

9. Contact Persons:

3M: _____ Phone No. _____
IMATION: _____ Phone No. _____

ACCEPTED AND AGREED TO:

IMATION CORP.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By

By

Print Name

Print Name

Title

Title

Date

Date

SERVICES AGREEMENT (IMATION TO 3M)

This Agreement, between Minnesota Mining and Manufacturing Company, a Delaware corporation with its principal offices at 3M Center, St. Paul, Minnesota 55144-1000 (3M) and Imation Corp., a Delaware corporation with its principal offices at 1 Imation Place, Oakdale, Minnesota 55128 (IMATION).

1. Description of Services

A. This Agreement sets out the terms and conditions under which IMATION will provide services to 3M as described in Attachments to be negotiated and signed by the parties.

B. During the Agreement term (Term) IMATION agrees to do, furnish and pay for all labor, supervision, taxes, equipment, supplies and any and all other things necessary to perform fully and to 3M's reasonable satisfaction the services described in all Attachments executed by the parties (Services).

C. During the Term 3M will do, furnish and pay for all things described in all Attachments executed by the parties.

D. A separate Attachment will be signed for each Service to be performed by IMATION. Each Attachment will identify (i) the 3M business unit requesting the Service, (ii) the IMATION business unit which will perform the Service, (iii) the effective date, (iv) the Service to be performed, (v) the things to be provided or paid for by 3M, (vi) the amount to be paid to IMATION by 3M; and (vii) any other special conditions governing the specific Services described in the Attachment.

E. IMATION represents to 3M it has experience and expertise in providing the Services listed in the Attachments.

F. IMATION shall provide the Services as a subcontractor to 3M where the Service described in an Attachment is supporting guaranteed maintenance or other similar service contracts entered into between 3M and 3M customers.

G. Subject to any special requirements in any Attachment, if IMATION

provides services to its own internal organization (Internal Services) comparable to the Services to be provided to 3M under this Agreement, IMATION shall not be obligated to provide Services greater in nature or scope than such Internal Services. During the Term, any improvements in systems, equipment, technology or methods used in or related to such Internal Services will be made available to 3M as part of the Services, provided however that the parties first agree to any increased cost for Services resulting from such improvements.

2. Service Ordering Procedures

A. 3M shall send IMATION blanket purchase orders for the Services listed in each Attachment. A blanket purchase order is for IMATION's planning purposes only and is not a commitment to purchase any particular dollar value of Service. Unless otherwise stated in an Attachment, 3M shall issue purchase order releases against a blanket purchase order which constitutes 3M's firm commitment to purchase specific quantities of Services. 3M will not be responsible for any of IMATION's cost or expense for supplies, labor, or other commitments or expenses other than as authorized by written 3M purchase order releases in IMATION's possession. EXCEPT AS SET OUT IN SUCH PURCHASE ORDER RELEASES, 3M MAKES NO REPRESENTATION OR GUARANTEE AS TO THE DOLLAR VALUE OF SERVICES THAT 3M WILL PURCHASE UNDER THIS AGREEMENT.

B. The information on the purchase order release will include the purchase order number, description of Service purchased, and, as applicable, routing instructions, delivery schedule and destination.

C. IMATION agrees to accept telegraphic or telecopied purchase order releases. 3M will make its best effort to send a confirming, written purchase order release within two (2) days of such telegraphic or telecopied purchase order release. Unless otherwise provided in an Attachment, IMATION will not proceed without the issuance of a purchase order release number by 3M.

D. The terms and conditions contained on 3M's purchase orders shall apply to all transactions relating to the Services covered by this Agreement. If 3M's purchase order terms and conditions contain any specific provisions inconsistent with this Agreement, then this Agreement shall govern and the inconsistent provision of 3M's purchase order shall be applicable only so far as it is consistent with this Agreement. If 3M's purchase order terms and conditions contain any specific provisions which address issues not covered by this Agreement, then they will not be part of this Agreement unless they are accepted in writing by IMATION.

E. IMATION shall only accept purchase order releases that originate from the following 3M facility, or other location designated by 3M in writing.

Minnesota Mining and Manufacturing Company
Purchasing Department
P.O. Box 33327
St. Paul, Minnesota 55133

3. Additional Services

A. If 3M requests IMATION to perform any services beyond the scope of services described in an Attachment, then 3M will pay IMATION a mutually agreed upon amount for performing such additional services.

B. If IMATION believes certain services constitutes services beyond the scope of services specified in an Attachment, then the following procedure shall apply:

1) Before performing the services in question, IMATION shall bring the matter to 3M's attention by sending 3M a letter describing in reasonable detail why such services constitute additional services.

2) Upon receipt of the letter, 3M will evaluate the services in question and inform IMATION in writing of 3M's position. If 3M agrees that the services in question constitute additional services, then 3M and IMATION shall negotiate the amount which IMATION will charge 3M if 3M requests IMATION to perform the additional services. 3M will then inform IMATION whether or not 3M wishes IMATION to perform the additional services. If 3M does not agree that the services in question constitute additional services, then IMATION agrees to perform the services in question, keep accurate records of the time spent performing the services in question and reserves the right to seek resolution of the dispute using the procedure described in Section 13 below.

C. If IMATION performs any services without following the procedure set forth in Section 3.B above, then IMATION shall be deemed to have waived its right to seek additional compensation based upon the claim that such services are beyond the scope of services specified in the Attachment.

4. Costs, Billing and Payment

A. Unless otherwise stated in an Attachment, the price which IMATION will charge and 3M will pay for Services provided under this Agreement will be IMATION's Total Cost plus a mark-up of eight percent (8%). For the purposes of this Agreement, "Total Cost" means IMATION's actual factory cost for labor and overhead plus any laboratory, engineering and administrative costs expended to provide the Service. The initial Total Cost will be determined based on actual costs from the previous six (6) months. Thereafter, prices will be adjusted at the beginning of each calendar year by recalculating the Total Cost for each Service based on the actual cost for the previous six (6) months.

B. Unless otherwise provided in an Attachment, where an Attachment lists the price of a Service as an hourly rate IMATION will invoice 3M for the amounts listed below, plus the listed hourly rate(s) for IMATION employee(s) that the parties agree will perform the relevant Services:

(i) Travel time is chargeable for a IMATION employee only to the extent that travel time charges combined with work charges for that employee on any calendar day amount to eight (8) hours or less. Travel

is to be completed in the most expeditious manner possible, without any unnecessary stopovers or delays.

(ii) For the expenses of IMATION's employees traveling away from home and overnight on behalf of 3M, the actual costs of transportation, meals and lodging. (Airfare is to be the most economical rate available, but never more costly than regular carrier coach rate.)

(iii) For long distance telephone calls, facsimile, and telegrams placed in connection with Services provided under this Agreement, the actual cost.

(iv) For printing, reproduction and postage charges incurred in connection with Services provided under this Agreement, the actual cost.

(v) For consultants, associated firms, testing laboratories and other subcontractors used, with 3M's prior written approval, in connection with Services provided under this Agreement, the actual amounts paid by IMATION.

(vi) For computer time incurred directly in connection with Services provided under this Agreement, the actual and reasonable cost.

(vii) For supplies, service parts and other materials purchased to perform Services under this Agreement, the actual cost.

(viii) For automobile mileage charges incurred in connection with Services provided under this Agreement, the rate of Twenty-eight and one-half cents (\$.285) per mile.

(ix) For equipment leased from third parties in connection with Services provided under this Agreement, the actual cost.

C. Unless otherwise provided in an Attachment, any single expenditure on 3M's behalf in excess of \$1,000 must be pre-approved, in writing, by 3M.

D. As long as 3M continues to share its current financial system with IMATION, Services performed under this Agreement will be billed to 3M by IMATION charging the net amount due to the appropriate 3M commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. 3M will pay IMATION the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, amounts due under this Agreement will be billed and paid for as provided in Section 4.E. below. If for any reason an amount due does not get charged to the appropriate 3M commodity code, then IMATION may send 3M an invoice for the amount due and Section 4.E. will apply.

E. Unless otherwise provided in this Agreement or in an Attachment, IMATION will send 3M a monthly invoice, including supporting documentation, for

all Services provided during such month. Invoices shall be due and payable within thirty (30) days of receipt. Where the amount due is governed by Section 4.B., invoices must be supported with the following documents:

(i) Time sheets showing for each employee: (a) the actual number of hours spent by day in performing Services under this Agreement, with travel time itemized separately; (b) the type of Service and the payment rate; and (c) the total number of hours and the total dollar amount claimed.

(ii) For transportation, lodging and meal expenses claimed under Section B(ii) above, receipts for all individual expense items exceeding Twenty-five Dollars (\$25.00).

(iii) For long distance telephone charges claimed under Section B(iii) above, invoices or payment receipts.

(iv) For printing, reproduction or postage charges claimed under Section B(iv) above, invoices or payment receipts.

(v) For subcontractor charges claimed under Section B(v) above, invoices or payment receipts.

(vi) For computer time charges claimed under Section B(vi) above, an itemization of all charges.

(vii) For materials and supplies charges claimed under Section B(vii) above, invoices or payment receipts.

(viii) For mileage claimed under Section B(viii) above, an itemization of all charges.

(ix) For equipment leasing charges claimed under Section B(ix) above, invoices or payment receipts.

(x) Any other information or documentation which 3M may reasonably request, including lien waivers.

F. Unless otherwise provided in an Attachment, this Section 4 states IMATION's total right to remuneration for Services performed under this Agreement, and includes all payment for IMATION's profits and total compensation for all IMATION's costs, including statutory coverages (e.g., unemployment insurance, F.I.C.A.), salary and fringe benefits, overhead (including secretarial and other support services), and all other IMATION expenses and expenditures, including any applicable sales, use or other taxes.

G. For Services which are priced at IMATION's Total Cost plus a markup of eight percent, IMATION grants 3M the right to have IMATION's cost records audited by an independent certified public accountant selected by 3M and approved by IMATION. The independent certified public accountant will agree to treat this information as confidential and will only disclose to 3M whether or

not the Total Cost IMATION communicated to 3M was accurate. 3M may request an audit no more than twice each year per Service. If the accountant determines that the Total Cost is inaccurate, then the Total Cost will be adjusted accordingly.

5. Term and Termination

A. This Agreement takes effect when both 3M and IMATION sign this Agreement (the "Effective Date") and continues in effect until the last Attachment has been terminated or until either party sends the other a written termination notice in accordance with this Section, whichever occurs first. Except as provided in Section 5.C., IMATION cannot terminate this Agreement while still obligated to perform Services under an outstanding Attachment. Even after termination, the provisions of this Agreement continue to apply to Services provided, charges incurred, payments made, events occurring and obligations arising before the date of termination.

B. IMATION's obligations under this Agreement with respect to a specific Attachment shall begin on the date listed in the Attachment and shall terminate on the earlier of:

(i) where the Attachment provides a fixed term, the expiration date of the term specified in the applicable Attachment;

(ii) the date on which IMATION discontinues permanently the provision of such Service to its own internal organization;

(iii) where the Attachment provides an open-ended term, the date of termination contained in the termination notice; or

(iv) the date of termination pursuant to Section 5.C or 5.D., as applicable.

With respect to Section B(ii), IMATION agrees to give 3M written notice at least ninety (90) days before the date IMATION discontinues the Service. With respect to Section B(iii), the party terminating the Attachment agrees to give the other party written notice at least ninety (90) days prior to the desired termination date, unless otherwise provided in the Attachment.

C. Subject to Section 12 (Force Majeure), and any special requirements in an Attachment, either party (the "Non-Defaulting Party") may terminate this Agreement upon sixty (60) calendar days prior written notice to the other party (the "Defaulting Party") if the Defaulting Party is in breach of a material obligation under this Agreement and does not remedy such default to the reasonable satisfaction of the Non-Defaulting Party within such sixty (60) day period. In the case of non-payment under Section 4.C, IMATION may terminate this Agreement upon seven (7) calendar days prior written notice to 3M. For purposes of this Section 5.C., good faith disputes regarding the quality or timeliness with respect to any specific Service shall not be deemed a failure to perform a material obligation under this Agreement.

D. If a Non-Defaulting Party is entitled to terminate this Agreement in its entirety under Section 5.C, it may instead, terminate this Agreement in part, upon the same notice provisions as specified in Section 5.C as follows:

(i) If the default relates to the payment for a Service, IMATION may terminate this Agreement as to the provision of that Service to 3M.

(ii) If the default relates to the provision of a Service, 3M may, in its sole discretion, terminate this Agreement as to the provision of that Service by IMATION.

Either party's use of this Section to terminate Services does not waive the Defaulting Party's other obligations under this Agreement nor the Non-Defaulting Party's right to make claims for breach of this Agreement.

6. Confidential Information

A. As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

i. "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the Effective Date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the Effective Date of this Agreement under the terms and for purposes of this Agreement except for:

(1) information learned by IMATION for the first time after the Effective Date, but prior to any disclosure by 3M;

(2) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(3) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(4) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Effective Date and/or disclosed by 3M under this Agreement;

(5) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or

retained by IMATION under this Agreement or the Intellectual Property Rights Agreement;

(6) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business remaining with 3M on the Effective Date; and

(7) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(ii) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the Effective Date and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(1) information learned by 3M for the first time subsequent to the Effective Date, but prior to any disclosure by IMATION;

(2) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(3) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(4) information developed by 3M independent of any confidential IMATION information which is known by 3M on the Effective Date and/or disclosed by IMATION under this Agreement;

(5) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights

Agreement;

(6) information which is developed by a business which remains with 3M on the Effective Date and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business being transferred to IMATION on the Effective Date; and

(7) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

B. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the Effective Date shall be considered to be the Effective Date.

C. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.

D. Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.

E. Each party shall insure that its affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of

Confidential Information to them.

F. The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

7. Limited Warranty

A. IMATION warrants that Services performed under this Agreement will be performed competently and in accordance with industry practices, and any equipment and service parts furnished by IMATION will be free of defects in material and manufacture upon installation. Individual Attachments may have additional or different warranties for different Services. IMATION MAKES NO OTHER WARRANTIES WITH RESPECT TO SUCH SERVICES AND ANY EQUIPMENT AND SERVICE PARTS FURNISHED BY IMATION, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IF ANY FAILURE TO MEET THE FOREGOING WARRANTY APPEARS AND NOTICE THEREOF IS PROVIDED TO IMATION WITHIN THE TERM OF THIS AGREEMENT OR WITHIN THIRTY (30) DAYS FROM THE DATE SERVICE WAS PERFORMED, WHICHEVER IS LATER, IMATION WILL CORRECTLY RE-PERFORM THE SERVICES IDENTIFIED OR REPLACE OR REPAIR, AT IMATION'S OPTION, THE DEFECTIVE EQUIPMENT OR SERVICE PART PROVIDED. THE FOREGOING CONSTITUTES THE SOLE AND EXCLUSIVE REMEDY FOR BREACH OF THIS WARRANTY.

B. No employee of IMATION or any other party is authorized to make any warranty in addition to the warranty made in this Agreement or the applicable Attachments.

8. Limitation of Liabilities

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN SECTION 9, (INDEMNIFICATION), NEITHER PARTY SHALL BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR ECONOMIC LOSS, BASED UPON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN TORT OR ANY OTHER LEGAL THEORY, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES (INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS, REVENUE, EQUIPMENT USE, DATA OR INFORMATION OF ANY KIND). EXCEPT AS PROVIDED IN SECTION 9, IMATION SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED BY DELAY IN FURNISHING SERVICES UNDER THIS AGREEMENT.

9. Indemnification

9.1 3M agrees to indemnify, defend and hold harmless IMATION, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the Services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which

IMATION may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Section 9 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this Agreement.

9.2 If IMATION intends to claim indemnification under this Section 9, IMATION will promptly notify 3M in writing of any claim, action or demand for which IMATION intends to claim indemnification. In addition, IMATION will promptly notify 3M in writing if IMATION elects to waive its right to have 3M defend the claim, action, or demand. If IMATION does not waive its right to have 3M defend the claim, action, or demand, IMATION agrees that 3M will control the defense of the claim, action, or demand. IMATION will cooperate fully with 3M and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. IMATION will permit 3M to settle any claim, action, or demand and agrees that 3M will control the settlement, provided, however, that such settlement does not adversely affect IMATION's rights under this Agreement or impose any obligations on IMATION in addition to those stated in this Agreement. 3M, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to IMATION of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by IMATION without the prior written consent of 3M.

10. Insurance

Both IMATION and 3M shall carry insurance of types and in amounts adequate to protect each party's interests under this Agreement.

11. Notices

A. All notices will be in writing and will be delivered by courier, facsimile transmission or prepaid certified mail, return receipt requested. Notices delivered by courier or facsimile transmission will be deemed to have been given on the date of delivery. Notices delivered by certified mail will be deemed to have been given on the date shown on the return receipt.

B. All notices will be addressed as follows:

(i) If to 3M:

Division Vice President
[3M Business Unit listed on applicable Attachment]
Minnesota Mining and Manufacturing Company
3M Center
St. Paul, MN 55144-1000

with a copy to:

Minnesota Mining and Manufacturing Company
Vice President, Legal Affairs
Building 220-14W-01
3M Center
St. Paul, MN 55144-1000

(ii) If to IMATION:

President
IMATION CORP.
1 Imation Place
Oakdale, MN 55128

with a copy to:

IMATION CORP.
General Counsel
Imation Legal Department
I-94 and McKnight Road
St. Paul, MN 55144-1000

C. Either party may change its address for notice by giving notice in accordance with Sections 11.B.(i) and 11.B.(ii).

12. Force Majeure

Neither party shall be responsible for failure to comply with this Agreement due to causes beyond its reasonable control.

13. Dispute Resolution

A. The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Section 13.K., these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

B. Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

C. Submission to Mediation; Cost of Mediation: If, at the conclusion of such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

D. Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

E. Mediation And Arbitration.

(i) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session. If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 13.F. The arbitration proceeding shall be held in Minnesota, shall be governed by the United States Arbitration Act, 9 U.S.C. SS 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

ii. Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Section 13 to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes, shall expire on July 1, 2001.

F. Selection of Arbitrator. The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

G. Cost of Arbitration. The costs of arbitration shall be apportioned between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

H. Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Section and requesting

arbitration after having participated in negotiation and mediation under this Section.

I. Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

J. Confidentiality. All negotiation, mediation and arbitration proceedings under this Section shall be treated as Confidential Information in accordance with Section 6. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

K. Equitable Relief. Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

14. Rights To Developments

Ownership and rights in any intellectual property (whether patentable or not) conceived during the course of work under this Agreement up to and including June 30, 1998, will be governed by the Intellectual Property Rights Agreement. For purposes of such Agreement, information conceived hereunder shall be deemed to be Invention or Joint "Foreground IP" and/or "Foreground Patents" and/or "New Material" as the case may be, depending on the party or parties that conceived same (even if such intellectual property does not result from, or is not based upon, technical Background PI and/or Assigned PI and/or 3M Licensed Works as defined in the Intellectual Property Rights Agreement). Furthermore, for purpose of the Intellectual Property Rights Agreement, ownership and rights in any intellectual property conceived during the period July 1, 1997, up to and including June 30, 1998, shall be treated the same as if conceived between July 1, 1996, up to and including June 30, 1997. If any services are to be provided under this Agreement after June 30, 1998, the parties agree to negotiate mutually acceptable provisions by June 30, 1998, regarding ownership and rights in any intellectual property conceived during the course of work under this Agreement after June 30, 1998.

15. General Terms

A. This Agreement may not be assigned in whole or in part by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. It shall not be unreasonable for 3M to withhold consent to assignment of this Agreement to a competitor of 3M. Any assignment, delegation or transfer of this Agreement or any interest therein, whether by merger, acquisition or change of corporate form, without written consent of the other party is void and cause of termination of this Agreement. Nothing in this

Agreement shall be construed to grant any person or entity not a party hereto any rights or powers whatsoever; and no person or entity shall be a third party beneficiary of this Agreement.

B. This Agreement and all matters related to its making and performance, and all rights or remedies arising under or related to the Agreement will be governed exclusively by the laws of the State of Minnesota.

C. This Agreement is binding on and benefits the parties, their successors and permitted assigns.

D. 3M and IMATION do not in any way or for any purpose intend to become partners in the conduct of a business or otherwise, or joint ventures, or members of a joint enterprise under this Agreement. The relationship will be one of service provider and purchaser. Neither party will have any authority to obligate, or to otherwise act as representative of, or agent for, the other party for any purpose and neither party will make any representations or hold itself out as having such authority. The employees of either party are not under any circumstances the employees of the other party.

E. This Agreement may only be modified by a written amendment signed by both parties. A course of conduct or performance does not modify or amend this Agreement unless subsequently ratified by a written and mutually agreeable amendment.

F. This Agreement and all Attachments constitute the entire agreement between the parties with respect to its subject matter and supersede all prior agreements, proposals, understandings and other communications, if any, whether oral or written, pertaining to such subject matter. In the event of any conflict between this Agreement or any Attachment and any other documents used by the parties in performing their obligations under this Agreement or any Attachment, the provisions of this Agreement and the relevant Attachment will govern. In the event of any conflict between this Agreement and any Attachment, the provisions of the Attachment will govern.

G. All Section headings are included for reference only and will not affect the meaning of the relevant Sections. All references to "Section" mean a section of this Agreement and all references to a "party" or the "parties" mean a party or the parties to this Agreement. All Attachments are incorporated herein by reference and form part of this Agreement.

ACCEPTED AND AGREED TO:

MINNESOTA MINING AND
MANUFACTURING COMPANY

IMATION CORP.

By:

By:

Date:

Date:

Service Attachments

IMATION TO 3M
Service Attachment

1. 3M Business Unit Requesting Service: _____

2. IMATION Business Unit Performing Service: _____

3. Term: _____

4. Notice Period for Termination: _____ days

5. Service to be Performed by IMATION:

6. Amount to be Paid by 3M for Service:
|_| Fixed Dollar Amount/Time Period: _____
|_| Hourly Rate: \$_____/hr
|_| Measurable Unit of Service x Charge/measurable unit: _____
|_| Other _____

7. Things to be Provided or Paid for by 3M (if any):

8. Special Conditions:

9. Contact Persons:
3M: _____ Phone No. _____
IMATION: _____ Phone No. _____

ACCEPTED AND AGREED TO:

IMATION CORP.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By

By

Print Name

Print Name

Title

Title

Date

Date

HESD SERVICES AGREEMENT (IMATION TO 3M)

This Agreement, between Minnesota Mining and Manufacturing Company, a Delaware corporation with its principal offices at 3M Center, St. Paul, Minnesota 55144-1000 (3M) and Imation Enterprises Corp., a Delaware corporation with its principal offices at 1 Imation Place, Oakdale, Minnesota 55128 (IMATION).

1. Description of Services

A. This Agreement sets out the terms and conditions under which IMATION will provide services to 3M as described in Attachments to be negotiated and signed by the parties.

B. During the Agreement term (Term) IMATION agrees to do, furnish and pay for all labor, supervision, taxes, equipment, supplies and any and all other things necessary to perform fully and to 3M's reasonable satisfaction the services described in all Attachments executed by the parties (Services).

C. During the Term 3M will do, furnish and pay for all things described in all Attachments executed by the parties.

D. A separate Attachment will be signed for each Service to be performed by IMATION. Each Attachment will identify (i) the 3M business unit requesting the Service, (ii) the IMATION business unit which will perform the Service, (iii) the effective date, (iv) the Service to be performed, (v) the

things to be provided or paid for by 3M, (vi) the amount to be paid to IMATION by 3M; and (vii) any other special conditions governing the specific Services described in the Attachment.

E. IMATION represents to 3M it has experience and expertise in providing the Services listed in the Attachments.

F. IMATION shall provide the Services as a subcontractor to 3M where the Service described in an Attachment is supporting guaranteed maintenance or other similar service contracts entered into between 3M and 3M customers and as a service provider where service contracts have been entered into between HESD and 3M customers.

G. Subject to any special requirements in any Attachment, if IMATION provides services to its own internal organization (Internal Services) comparable to the Services to be provided to 3M under this Agreement, IMATION shall not be obligated to provide Services greater in nature or scope than such Internal Services. During the Term, any improvements in systems, equipment, technology or methods used in or related to such Internal Services will be made available to 3M as part of the Services, provided however that the parties first agree to any increased cost for Services resulting from such improvements.

2. Service Ordering Procedures

A. 3M shall send IMATION blanket purchase orders for the Services listed in each Attachment. A blanket purchase order is for IMATION's planning purposes only and is not a commitment to purchase any particular dollar value of Service. Unless otherwise stated in an Attachment, 3M shall issue purchase order releases against a blanket purchase order which constitutes 3M's firm commitment to purchase specific quantities of Services. 3M will not be responsible for any of IMATION's cost or expense for supplies, labor, or other commitments or expenses other than as authorized by written 3M purchase order releases in IMATION's possession. EXCEPT AS SET OUT IN SUCH PURCHASE ORDER RELEASES, 3M MAKES NO REPRESENTATION OR GUARANTEE AS TO THE DOLLAR VALUE OF SERVICES THAT 3M WILL PURCHASE UNDER THIS AGREEMENT.

B. The information on the purchase order release will include the purchase order number, description of Service purchased, and, as applicable, routing instructions, delivery schedule and destination.

C. IMATION agrees to accept telegraphic or telecopied purchase order releases. 3M will make its best effort to send a confirming, written purchase order release within two (2) days of such telegraphic or telecopied purchase order release. Unless otherwise provided in an Attachment, IMATION will not proceed without the issuance of a purchase order release number by 3M.

D. The terms and conditions contained on 3M's purchase orders shall apply to all transactions relating to the Services covered by this Agreement. If 3M's purchase order terms and conditions contain any specific provisions inconsistent with this Agreement, then this Agreement shall govern and the

inconsistent provision of 3M's purchase order shall be applicable only so far as it is consistent with this Agreement. If 3M's purchase order terms and conditions contain any specific provisions which address issues not covered by this Agreement, then they will not be part of this Agreement unless they are accepted in writing by IMATION.

E. IMATION shall only accept purchase order releases that originate from the following 3M facility, or other location designated by 3M in writing.

Minnesota Mining and Manufacturing Company
Purchasing Department
P.O. Box 33327
St. Paul, Minnesota 55133

3. Additional Services

A. If 3M requests IMATION to perform any services beyond the scope of services described in an Attachment, then 3M will pay IMATION a mutually agreed upon amount for performing such additional services.

B. If IMATION believes certain services constitutes services beyond the scope of services specified in an Attachment, then the following procedure shall apply:

1) Before performing the services in question, IMATION shall bring the matter to 3M's attention by sending 3M a letter describing in reasonable detail why such services constitute additional services.

2) Upon receipt of the letter, 3M will evaluate the services in question and inform IMATION in writing of 3M's position. If 3M agrees that the services in question constitute additional services, then 3M and IMATION shall negotiate the amount which IMATION will charge 3M if 3M requests IMATION to perform the additional services. 3M will then inform IMATION whether or not 3M wishes IMATION to perform the additional services. If 3M does not agree that the services in question constitute additional services, then IMATION agrees to perform the services in question, keep accurate records of the time spent performing the services in question and reserves the right to seek resolution of the dispute using the procedure described in Section 13 below.

C. If IMATION performs any services without following the procedure set forth in Section 3.B above, then IMATION shall be deemed to have waived its right to seek additional compensation based upon the claim that such services are beyond the scope of services specified in the Attachment.

4. Costs, Billing and Payment

A. Unless otherwise stated in an Attachment, the price which IMATION will charge and 3M will pay for Services provided under this Agreement will be IMATION's Total Cost plus a mark-up of eight percent (8%). For the purposes of

this Agreement, "Total Cost" means IMATION's actual factory cost for labor and overhead plus any laboratory, engineering and administrative costs expended to provide the Service. The initial Total Cost will be determined based on actual costs from the previous six (6) months. Thereafter, prices will be adjusted at the beginning of each calendar year by recalculating the Total Cost for each Service based on the actual cost for the previous six (6) months.

B. Unless otherwise provided in an Attachment, where an Attachment lists the price of a Service as an hourly rate IMATION will invoice 3M for the amounts listed below, plus the listed hourly rate(s) for IMATION employee(s) that the parties agree will perform the relevant Services:

(i) Travel time is chargeable for a IMATION employee only to the extent that travel time charges combined with work charges for that employee on any calendar day amount to eight (8) hours or less. Travel is to be completed in the most expeditious manner possible, without any unnecessary stopovers or delays.

(ii) For the expenses of IMATION's employees traveling away from home and overnight on behalf of 3M, the actual costs of transportation, meals and lodging. (Airfare is to be the most economical rate available, but never more costly than regular carrier coach rate.)

(iii) For long distance telephone calls, facsimile, and telegrams placed in connection with Services provided under this Agreement, the actual cost.

(iv) For printing, reproduction and postage charges incurred in connection with Services provided under this Agreement, the actual cost.

(v) For consultants, associated firms, testing laboratories and other subcontractors used, with 3M's prior written approval, in connection with Services provided under this Agreement, the actual amounts paid by IMATION.

(vi) For computer time incurred directly in connection with Services provided under this Agreement, the actual and reasonable cost.

(vii) For supplies, service parts and other materials purchased to perform Services under this Agreement, the actual cost.

(viii) For automobile mileage charges incurred in connection with Services provided under this Agreement, the rate of Twenty-eight and one-half cents (\$.285) per mile.

(ix) For equipment leased from third parties in connection with Services provided under this Agreement, the actual cost.

C. Unless otherwise provided in an Attachment, any single expenditure

on 3M's behalf in excess of \$1,000 must be pre-approved, in writing, by 3M.

D. As long as 3M continues to share its current financial system with IMATION, Services performed under this Agreement will be billed to 3M by IMATION charging the net amount due to the appropriate 3M commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. 3M will pay IMATION the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, amounts due under this Agreement will be billed and paid for as provided in Section 4.E. below. If for any reason an amount due does not get charged to the appropriate 3M commodity code, then IMATION may send 3M an invoice for the amount due and Section 4.E. will apply.

E. Unless otherwise provided in this Agreement or in an Attachment, IMATION will send 3M a monthly invoice, including supporting documentation, for all Services provided during such month. Invoices shall be due and payable within thirty (30) days of receipt. Where the amount due is governed by Section 4.B., invoices must be supported with the following documents:

(i) Time sheets showing for each employee: (a) the actual number of hours spent by day in performing Services under this Agreement, with travel time itemized separately; (b) the type of Service and the payment rate; and (c) the total number of hours and the total dollar amount claimed.

(ii) For transportation, lodging and meal expenses claimed under Section B(ii) above, receipts for all individual expense items exceeding Twenty-five Dollars (\$25.00).

(iii) For long distance telephone charges claimed under Section B(iii) above, invoices or payment receipts.

(iv) For printing, reproduction or postage charges claimed under Section B(iv) above, invoices or payment receipts.

(v) For subcontractor charges claimed under Section B(v) above, invoices or payment receipts.

(vi) For computer time charges claimed under Section B(vi) above, an itemization of all charges.

(vii) For materials and supplies charges claimed under Section B(vii) above, invoices or payment receipts.

(viii) For mileage claimed under Section B(viii) above, an itemization of all charges.

(ix) For equipment leasing charges claimed under Section B(ix) above, invoices or payment receipts.

(x) Any other information or documentation which 3M may

reasonably request, including lien waivers.

F. Unless otherwise provided in an Attachment, this Section 4 states IMATION's total right to remuneration for Services performed under this Agreement, and includes all payment for IMATION's profits and total compensation for all IMATION's costs, including statutory coverages (e.g., unemployment insurance, F.I.C.A.), salary and fringe benefits, overhead (including secretarial and other support services), and all other IMATION expenses and expenditures, including any applicable sales, use or other taxes.

G. For Services which are priced at IMATION's Total Cost plus a markup of eight percent, IMATION grants 3M the right to have IMATION's cost records audited by an independent certified public accountant selected by 3M and approved by IMATION. The independent certified public accountant will agree to treat this information as confidential and will only disclose to 3M whether or not the Total Cost IMATION communicated to 3M was accurate. 3M may request an audit no more than twice each year per Service. If the accountant determines that the Total Cost is inaccurate, then the Total Cost will be adjusted accordingly.

5. Term and Termination

A. This Agreement takes effect when both 3M and IMATION sign this Agreement (the "Effective Date") and continues in effect until the last Attachment has been terminated or until either party sends the other a written termination notice in accordance with this Section, whichever occurs first. Except as provided in Section 5.C., IMATION cannot terminate this Agreement while still obligated to perform Services under an outstanding Attachment. Even after termination, the provisions of this Agreement continue to apply to Services provided, charges incurred, payments made, events occurring and obligations arising before the date of termination.

B. IMATION's obligations under this Agreement with respect to a specific Attachment shall begin on the date listed in the Attachment and shall terminate on the earlier of:

(i) where the Attachment provides a fixed term, the expiration date of the term specified in the applicable Attachment;

(ii) the date on which IMATION discontinues permanently the provision of such Service to its own internal organization;

(iii) where the Attachment provides an open-ended term, the date of termination contained in the termination notice; or

(iv) the date of termination pursuant to Section 5.C or 5.D., as applicable.

With respect to Section B(ii), IMATION agrees to give 3M written notice at least ninety (90) days before the date IMATION discontinues the Service. With respect to Section B(iii), the party terminating the Attachment agrees to give the other

party written notice at least ninety (90) days prior to the desired termination date, unless otherwise provided in the Attachment.

C. Subject to Section 12 (Force Majeure), and any special requirements in an Attachment, either party (the "Non-Defaulting Party") may terminate this Agreement upon sixty (60) calendar days prior written notice to the other party (the "Defaulting Party") if the Defaulting Party is in breach of a material obligation under this Agreement and does not remedy such default to the reasonable satisfaction of the Non-Defaulting Party within such sixty (60) day period. In the case of non-payment under Section 4.C, IMATION may terminate this Agreement upon seven (7) calendar days prior written notice to 3M. For purposes of this Section 5.C., good faith disputes regarding the quality or timeliness with respect to any specific Service shall not be deemed a failure to perform a material obligation under this Agreement.

D. If a Non-Defaulting Party is entitled to terminate this Agreement in its entirety under Section 5.C, it may instead, terminate this Agreement in part, upon the same notice provisions as specified in Section 5.C as follows:

(i) If the default relates to the payment for a Service, IMATION may terminate this Agreement as to the provision of that Service to 3M.

(ii) If the default relates to the provision of a Service, 3M may, in its sole discretion, terminate this Agreement as to the provision of that Service by IMATION.

Either party's use of this Section to terminate Services does not waive the Defaulting Party's other obligations under this Agreement nor the Non-Defaulting Party's right to make claims for breach of this Agreement.

6. Confidential Information

A. As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

i. "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the Effective Date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the Effective Date of this Agreement under the terms and for purposes of this Agreement except for:

(1) information learned by IMATION for the first time after the Effective Date, but prior to any disclosure by 3M;

(2) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(3) information disclosed to IMATION by a third

party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(4) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the Effective Date and/or disclosed by 3M under this Agreement;

(5) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or retained by IMATION under this Agreement or Intellectual Property Rights Agreement;

(6) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business remaining with 3M on the Effective Date; and

(7) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(ii) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the Effective Date of this Agreement and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(1) information learned by 3M for the first time subsequent to the Effective Date, but prior to any disclosure by IMATION;

(2) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(3) information disclosed to 3M by a third party,

provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(4) information developed by 3M independent of any confidential IMATION information which is known by 3M on the Effective Date and/or disclosed by IMATION under this Agreement;

(5) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights Agreement;

(6) information which is developed by a business which remains with 3M on the Effective Date and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the Effective Date from a business being transferred to IMATION on the Effective Date; and

(7) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

B. 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the Effective Date shall be considered to be the Effective Date.

C. 3M and IMATION each shall not disclose to another or use except for

purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.

D. Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.

E. Each party shall insure that its affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.

F. The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

7. Limited Warranty

A. IMATION warrants that Services performed under this Agreement will be performed competently and in accordance with industry practices, and any equipment and service parts furnished by IMATION will be free of defects in material and manufacture upon installation. Individual Attachments may have additional or different warranties for different Services. IMATION MAKES NO OTHER WARRANTIES WITH RESPECT TO SUCH SERVICES AND ANY EQUIPMENT AND SERVICE PARTS FURNISHED BY IMATION, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IF ANY FAILURE TO MEET THE FOREGOING WARRANTY APPEARS AND NOTICE THEREOF IS PROVIDED TO IMATION WITHIN THE TERM OF THIS AGREEMENT OR WITHIN THIRTY (30) DAYS FROM THE DATE SERVICE WAS PERFORMED, WHICHEVER IS LATER, IMATION WILL CORRECTLY RE-PERFORM THE SERVICES IDENTIFIED OR REPLACE OR REPAIR, AT IMATION'S OPTION, THE DEFECTIVE EQUIPMENT OR SERVICE PART PROVIDED. THE FOREGOING CONSTITUTES THE SOLE AND EXCLUSIVE REMEDY FOR BREACH OF THIS WARRANTY.

B. No employee of IMATION or any other party is authorized to make any warranty in addition to the warranty made in this Agreement or the applicable Attachments.

8. Limitation of Liabilities

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN SECTION 9, (INDEMNIFICATION), NEITHER PARTY SHALL BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR ECONOMIC LOSS, BASED UPON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN

TORT OR ANY OTHER LEGAL THEORY, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES (INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS, REVENUE, EQUIPMENT USE, DATA OR INFORMATION OF ANY KIND). EXCEPT AS PROVIDED IN SECTION 9, IMATION SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED BY DELAY IN FURNISHING SERVICES UNDER THIS AGREEMENT.

9. Indemnification

9.1 3M agrees to indemnify, defend and hold harmless IMATION, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the Services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which IMATION may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Section 9 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this Agreement.

9.2 If IMATION intends to claim indemnification under this Section 9, IMATION will promptly notify 3M in writing of any claim, action or demand for which IMATION intends to claim indemnification. In addition, IMATION will promptly notify 3M in writing if IMATION elects to waive its right to have 3M defend the claim, action, or demand. If IMATION does not waive its right to have 3M defend the claim, action, or demand, IMATION agrees that 3M will control the defense of the claim, action, or demand. IMATION will cooperate fully with 3M and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. IMATION will permit 3M to settle any claim, action, or demand and agrees that 3M will control the settlement, provided, however, that such settlement does not adversely affect IMATION's rights under this Agreement or impose any obligations on IMATION in addition to those stated in this Agreement. 3M, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to IMATION of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by IMATION without the prior written consent of 3M.

10. Insurance

Both IMATION and 3M shall carry insurance of types and in amounts adequate to protect each party's interests under this Agreement.

11. Notices

A. All notices will be in writing and will be delivered by courier, facsimile transmission or prepaid certified mail, return receipt requested. Notices delivered by courier or facsimile transmission will be deemed to have been given on the date of delivery. Notices delivered by certified mail will be

deemed to have been given on the date shown on the return receipt.

B. All notices will be addressed as follows:

(i) If to 3M:

Division Vice President
[3M Business Unit listed on applicable Attachment]
Minnesota Mining and Manufacturing Company
3M Center
St. Paul, MN 55144-1000

with a copy to:

Minnesota Mining and Manufacturing Company
Vice President, Legal Affairs
Building 220-14W-01
3M Center
St. Paul, MN 55144-1000

(ii) If to IMATION:

President
IMATION ENTERPRISES CORP.
1 Imation Place
Oakdale, MN 55128

with a copy to:

IMATION CORP.
General Counsel
Imation Legal Department
I-94 and McKnight Road
St. Paul, MN 55144-1000

C. Either party may change its address for notice by giving notice in accordance with Sections 11.B.(i) and 11.B.(ii).

12. Force Majeure

Neither party shall be responsible for failure to comply with this Agreement due to causes beyond its reasonable control.

13. Dispute Resolution

A. The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Section 13.K., these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

B. Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

C. Submission to Mediation; Cost of Mediation: If, at the conclusion of such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

D. Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

E. Mediation And Arbitration.

(i) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session. If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Section 13.F. The arbitration proceeding shall be held in Minnesota, shall be governed by the United States Arbitration Act, 9 U.S.C. SS 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

(ii) Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Section 13 to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes, shall expire on July 1, 2001.

F. Selection of Arbitrator. The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking

who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

G. Cost of Arbitration. The costs of arbitration shall be apportioned between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

H. Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Section and requesting arbitration after having participated in negotiation and mediation under this Section.

I. Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

J. Confidentiality. All negotiation, mediation and arbitration proceedings under this Section shall be treated as Confidential Information in accordance with Section 6. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

K. Equitable Relief. Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

14. Rights To Developments

Ownership and rights in any intellectual property (whether patentable or not) conceived during the course of work under this Agreement up to and including June 30, 1998, will be governed by the Intellectual Property Rights Agreement. For purposes of such Agreement, information conceived hereunder shall be deemed to be Invention or Joint "Foreground IP" and/or "Foreground Patents" and/or "New Material" as the case may be, depending on the party or parties that conceived same (even if such intellectual property does not result from, or is not based upon, technical Background PI and/or Assigned PI and/or 3M Licensed Works as defined in the Intellectual Property Rights Agreement). Furthermore, for purpose of the Intellectual Property Rights Agreement, ownership and rights in any intellectual property conceived during the period July 1, 1997, up to and including June 30, 1998, shall be treated the same as if conceived between July 1, 1996, up to and including June 30, 1997. If any services are to be provided under this Agreement after June 30, 1998, the parties agree to negotiate

mutually acceptable provisions by June 30, 1998, regarding ownership and rights in any intellectual property conceived during the course of work under this Agreement after June 30, 1998.

15. General Terms

A. This Agreement may not be assigned in whole or in part by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. It shall not be unreasonable for 3M to withhold consent to assignment of this Agreement to a competitor of 3M. Any assignment, delegation or transfer of this Agreement or any interest therein, whether by merger, acquisition or change of corporate form, without written consent of the other party is void and cause of termination of this Agreement. Nothing in this Agreement shall be construed to grant any person or entity not a party hereto any rights or powers whatsoever; and no person or entity shall be a third party beneficiary of this Agreement.

B. This Agreement and all matters related to its making and performance, and all rights or remedies arising under or related to the Agreement will be governed exclusively by the laws of the State of Minnesota.

C. This Agreement is binding on and benefits the parties, their successors and permitted assigns.

D. 3M and IMATION do not in any way or for any purpose intend to become partners in the conduct of a business or otherwise, or joint ventures, or members of a joint enterprise under this Agreement. The relationship will be one of service provider and purchaser. Neither party will have any authority to obligate, or to otherwise act as representative of, or agent for, the other party for any purpose and neither party will make any representations or hold itself out as having such authority. The employees of either party are not under any circumstances the employees of the other party.

E. This Agreement may only be modified by a written amendment signed by both parties. A course of conduct or performance does not modify or amend this Agreement unless subsequently ratified by a written and mutually agreeable amendment.

F. This Agreement and all Attachments constitute the entire agreement between the parties with respect to its subject matter and supersede all prior agreements, proposals, understandings and other communications, if any, whether oral or written, pertaining to such subject matter. In the event of any conflict between this Agreement or any Attachment and any other documents used by the parties in performing their obligations under this Agreement or any Attachment, the provisions of this Agreement and the relevant Attachment will govern. In the event of any conflict between this Agreement and any Attachment, the provisions of the Attachment will govern.

G. All Section headings are included for reference only and will not affect the meaning of the relevant Sections. All references to "Section" mean a section of this Agreement and all references to a "party" or the "parties" mean

a party or the parties to this Agreement. All Attachments are incorporated herein by reference and form part of this Agreement.

ACCEPTED AND AGREED TO:

MINNESOTA MINING AND
MANUFACTURING COMPANY

IMATION ENTERPRISES CORP.

By:

By:

Date:

Date:

Service Attachments

IMATION TO 3M

Service Attachment

1. 3M Business Unit Requesting Service: _____
2. IMATION Business Unit Performing Service: _____
3. Term: _____
4. Notice Period for Termination: _____ days
5. Service to be Performed by IMATION:

6. Amount to be Paid by 3M for Service:
 - Fixed Dollar Amount/Time Period: _____
 - Hourly Rate: \$_____/hr
 - Measurable Unit of Service x Charge/measurable unit: _____
 - Other _____

7. Things to be Provided or Paid for by 3M (if any):

8. Special Conditions:

9. Contact Persons:

3M: _____ Phone No. _____
IMATION: _____ Phone No. _____

ACCEPTED AND AGREED TO:

IMATION ENTERPRISES CORP.

MINNESOTA MINING AND MANUFACTURING
COMPANY

By

By

Print Name

Print Name

Title

Title

Date

Date

CONTRACT MANUFACTURING SERVICES AGREEMENT (3M FOR IMATION)

This Agreement is between MINNESOTA MINING AND MANUFACTURING COMPANY, a Delaware corporation, with its principal place of business at 3M Center, St. Paul, Minnesota 55144, (3M); and IMATION ENTERPRISES CORP., a Delaware corporation, with its principal place of business at 1 Imation Place, Oakdale, Minnesota 55128 (IMATION).

1. DEFINITIONS.

For the purpose of this Agreement, the following words and phrases shall have the meaning set forth below:

(A) "AGREEMENT" means this document, together with all Exhibits. The Exhibits are incorporated by reference and made a part of this document.

(B) "DEFAULTING PARTY" is defined in Paragraph 3(C).

(C) "DISTRIBUTION DATE" means the date on which 3M distributes Imation Corp. stock.

(D) "DOCUMENTATION" means all drawings and other documentation related to Equipment.

(E) "EQUIPMENT" means all equipment furnished by 3M to IMATION for IMATION to use to perform contract manufacturing services under this Agreement.

(F) "FINISHED PRODUCTS" means the finished products fabricated, assembled or processed by IMATION under this Agreement.

(G) "IMATION CONFIDENTIAL INFORMATION" is defined in Paragraph 14(A) (2).

(H) "MATERIALS" means components, materials or sub-assemblies provided by 3M to IMATION.

(I) "3M CONFIDENTIAL INFORMATION" is defined in Paragraph 14(A) (1).

(J) "NON-DEFAULTING PARTY" is defined in Paragraph 3(C).

(K) "SPECIFICATION(S)" means the written product specifications, process specifications, performance specifications, and packaging specifications agreed upon by the parties. The Specifications may be changed at any time by mutual written agreement of the parties.

(L) "TERM" means the term of this Agreement as governed by Paragraph 3.

(M) "TOTAL COST" is defined in Paragraph 6(A).

(N) "WASTE" is defined in Paragraph 20(A).

2. SCOPE AND PURPOSE.

(A) This Agreement sets out the terms and conditions under which 3M will provide fabrication, assembly, processing and other similar contract manufacturing services for IMATION using Materials provided by IMATION and in accordance with the Specifications. Title to all such Materials shall at all times remain with IMATION.

(B) During the Term 3M agrees to do, furnish and pay for all labor, supervision, taxes, equipment, facilities, supplies and any and all other things necessary to perform fully and to IMATION's reasonable satisfaction the contract

manufacturing services described in all Exhibits executed by the parties.

(C) During the Term IMATION will do, furnish and pay for all things described in all Exhibits executed by the parties.

(D) A separate Exhibit will be signed for each contract manufacturing service to be performed by 3M. Each Exhibit will identify (i) the IMATION business unit requesting the contract manufacturing service, (ii) the 3M business unit which will perform the service, (iii) the term during which the service will be performed, (iv) the contract manufacturing service to be performed, (v) the Materials, equipment and other things to be provided or paid for by IMATION, (vi) the amount to be paid to 3M by IMATION and (vii) any other special conditions governing the specific services described in the Exhibit.

3. TERM AND TERMINATION.

(A) This Agreement takes effect when both 3M and IMATION sign this Agreement and continues in effect until the last Exhibit has been terminated or until either party sends the other a written termination notice in accordance with this Paragraph, whichever occurs first. Except as provided in Paragraph 3(C), 3M cannot terminate this Agreement while still obligated to perform services under an outstanding Exhibit. Even after termination, the provisions of this Agreement continue to apply to services provided, charges incurred, payments made, events occurring and obligations arising before the date of termination.

(B) 3M's obligations under this Agreement with respect to a specific Exhibit shall begin on the date listed in the Exhibit and shall terminate on the earlier of:

- (1) where the Exhibit provides a fixed term, the expiration date of the term specified in the applicable Exhibit;
- (2) where the Exhibit provides an open-ended term, the date of termination contained in the termination notice; or
- (3) the date of termination pursuant to Paragraph 3(C) or 3(D), as applicable.

With respect to Paragraph 3(B)(2), the party terminating the Exhibit agrees to give the other party written notice at least ninety (90) days prior to the desired termination date, unless otherwise provided in the Exhibit.

(C) Subject to Paragraph 23 (Force Majeure), and any special requirements in an Exhibit, either party (the "Non-Defaulting Party") may terminate this Agreement upon sixty (60) calendar days prior written notice to the other party (the "Defaulting Party") if the Defaulting Party is in breach of a material obligation under this Agreement and does not remedy such default to the reasonable satisfaction of the Non-Defaulting Party within such sixty (60) day period. In the case of non-payment under Paragraph 10, 3M may terminate this

Agreement upon seven (7) calendar days prior written notice to IMATION. For purposes of this Paragraph 3(C), good faith disputes regarding the quality or timeliness with respect to any specific service shall not be deemed a failure to perform a material obligation under this Agreement.

(D) If a Non-Defaulting Party is entitled to terminate this Agreement in its entirety under Paragraph 3(C), it may instead terminate this Agreement in part, upon the same notice provisions as specified in Paragraph 3(C) as follows:

- (1) If the default relates to the payment for a service, 3M may terminate this Agreement as to the provision of that service to IMATION.
- (2) If the default relates to the provision of a service, the Non-Defaulting Party may, in its sole discretion, terminate this Agreement as to the provision of that service by 3M.

Either party's use of this Paragraph to terminate services does not waive the Defaulting Party's other obligations under this Agreement or the Non-Defaulting Party's right to make claims for breach of this Agreement.

4. ORDERING PROCEDURES.

(A) IMATION shall send 3M blanket purchase orders for the contract manufacturing services listed in each Exhibit. A blanket purchase order is for 3M's planning purposes only and is not a commitment to purchase any particular dollar value of contract manufacturing service. Unless otherwise stated in an Exhibit, IMATION shall issue purchase order releases against a blanket purchase order which constitutes IMATION's firm commitment to purchase a specific dollar value of contract manufacturing services. IMATION will not be responsible for any of 3M's cost or expense for supplies, labor, or other commitments or expenses other than as authorized by written IMATION purchase order releases in 3M's possession. EXCEPT AS SET OUT IN PURCHASE ORDER RELEASES SENT TO 3M, IMATION MAKES NO REPRESENTATION OR GUARANTEE AS TO THE DOLLAR VALUE OF CONTRACT MANUFACTURING SERVICES THAT IMATION WILL PURCHASE UNDER THIS AGREEMENT.

(B) The information on the purchase order release will include the purchase order number, Specification number or title, description of service purchased, and, as applicable, routing instructions, delivery schedule and destination.

(C) 3M agrees to accept telegraphic or telecopied purchase order releases. IMATION will make a reasonable effort to send a confirming, written purchase order release within two (2) days of receiving such telegraphic or telecopied purchase order release. Unless otherwise provided in an Exhibit, 3M will not proceed without the issuance of a purchase order release number by IMATION.

(D) The terms and conditions contained on IMATION's purchase orders shall apply to all transactions relating to the contract manufacturing services

covered by this Agreement. If IMATION's purchase order terms and conditions contain any specific provisions inconsistent with this Agreement, then this Agreement shall govern and the inconsistent provision of IMATION's purchase order shall be applicable only so far as it is consistent with this Agreement. If IMATION's purchase order terms and conditions contain any specific provisions which address issues not covered by this Agreement, then they will not be part of this Agreement unless they are accepted in writing by 3M.

(E) 3M shall only accept purchase order releases that originate from the following IMATION facility, or other location designated by IMATION in writing.

IMATION ENTERPRISES CORP.
Purchasing Department
1 Imation Place
Oakdale, MN 55128

5. ADDITIONAL SERVICES.

(A) If IMATION requests 3M to perform any services beyond the scope of the contract manufacturing services described in an Exhibit, then IMATION will pay 3M a mutually agreed upon amount for performing such additional services.

(B) If 3M believes certain services constitutes services beyond the scope of services specified in an Exhibit, then the following procedure shall apply:

(1) Before performing the services in question, 3M shall bring the matter to IMATION's attention by sending IMATION a letter describing in reasonable detail why such services constitute additional services.

(2) Upon receipt of the letter, IMATION will evaluate the services in question and inform 3M in writing of IMATION's position. If IMATION agrees that the services in question constitute additional services, then IMATION and 3M shall negotiate the amount which 3M will charge IMATION if IMATION requests 3M to perform the additional services. IMATION will then inform 3M whether or not IMATION wishes 3M to perform the additional services. If IMATION does not agree that the services in question constitute additional services, then 3M agrees to perform the services in question, keep accurate records of the time spent performing the services in question and reserves the right to seek resolution of the dispute using the procedure described in Paragraph 27.

(C) If 3M performs any services without following the procedure set forth in Paragraph 5(B) above, then 3M shall be deemed to have waived its right to seek additional compensation based upon the claim that such services are beyond the scope of services specified in the Exhibit.

6. PRICE.

(A) Unless otherwise stated in an Exhibit, the prices which 3M will charge and IMATION will pay for contract manufacturing services under this Agreement will be 3M's Total Cost plus a markup of eight percent (8%). For the purposes of this Agreement, "Total Cost" means 3M's total factory cost for labor and overhead plus any laboratory, engineering and administrative costs expended to provide the service. The initial Total Cost will be determined based on actual costs from the previous six (6) months. Thereafter, prices will be adjusted at the beginning of each calendar year by recalculating the Total Cost for each service based on the actual cost for the previous six (6) months. Where the prices in an Exhibit are not Total Cost + 8%, the prices may not be increased during the first twelve (12) months of the applicable blanket purchase order, unless otherwise stated in an Exhibit. Thereafter, the prices may be changed by 3M with thirty (30) days prior written notice to IMATION, unless an Exhibit provides otherwise.

(B) The prices are F.O.B. 3M's facility, unless stated otherwise in the Exhibit. The Exhibit prices state 3M's total right to remuneration for all obligations performed (or to be performed) under this Agreement, and include all payment for 3M's profit and total compensation for transfer of Product Developments and Process Developments to IMATION as described in Paragraph 15 and for all of 3M's costs, including labor, statutory coverages (e.g., unemployment insurance, F.I.C.A.); fringe benefits; overhead; the costs of providing the reports described in Paragraph 16; the costs of storing Materials, Equipment, packaging supplies and Finished Products; the costs of the insurance described in Paragraph 22; the costs of secretarial and other support services; and all other 3M expenses and expenditures.

(C) For services which are priced at 3M's Total Cost plus a markup of eight percent, 3M grants IMATION the right to have 3M's cost records audited by an independent certified public accountant selected by IMATION and approved by 3M. The independent certified public accountant will agree to treat this information as confidential and will only disclose to IMATION whether or not the Total Cost 3M communicated to IMATION was accurate. IMATION may request an audit no more than twice each year per service. If the accountant determines that the Total Cost is inaccurate, then the Total Cost will be adjusted accordingly.

7. LABELING AND PACKAGING.

Labeling and packaging of products requested in an Exhibit shall be done in accordance with the Specifications. 3M agrees, at its own expense, to provide labor, materials, and facilities required to provide such labeling and packaging, unless the Exhibit provides otherwise.

8. DELIVERY.

(A) The purchase order releases forwarded by IMATION to 3M shall state the completion dates for the requested contract manufacturing services and, where appropriate, shipment dates for IMATION products serviced by 3M.

(B) Unless otherwise stated in an Exhibit, IMATION shall select the carrier and shall assume and pay transportation charges. Risk of loss for products serviced by 3M shall pass to IMATION only upon proper delivery of the serviced products by 3M to the IMATION-designated carrier. IMATION shall have the option to select the mode of transportation and carrier for each single shipment. Any excess costs due to use of alternative modes or carriers not requested by IMATION shall be borne by 3M.

9. INSPECTION.

(A) 3M shall inspect each shipment of the Finished Products before delivery to confirm and certify that such Finished Products meet the applicable Specifications. 3M agrees to provide in-process and Finished Product quality data as agreed to by the parties.

(B) IMATION may inspect Finished Products within sixty (60) days after receipt at IMATION's location to the same incoming test or inspection criteria as provided to 3M in the Specifications. Any Finished Products not rejected within sixty (60) days after receipt are accepted. IMATION is authorized to perform source inspection and quality assurance audits in nonproprietary areas at 3M's facilities upon reasonable notice from IMATION, but this shall in no way relieve 3M of its obligation to deliver Finished Products that conform to the Specifications or waive IMATION's right of inspection and acceptance (or rejection) at IMATION's location.

(C) Finished Products that fail to meet the Specifications may be rejected by IMATION. In such event, if it is possible to correct the problem, then IMATION will return such Finished Products to 3M to be reworked with 3M bearing all costs of transportation and risk of loss both ways and 3M will rework such Finished Products within thirty (30) days after receipt. If it is not possible to rework such Finished Products to meet the applicable Specifications, then 3M will reimburse IMATION for the amount IMATION paid 3M for the Finished Products plus the cost of the Materials provided to 3M by IMATION and used by 3M to make the rejected Finished Products within thirty (30) days after receipt of an invoice from IMATION. IMATION, at its option, may elect to take a credit for the amount due against future service invoices received from 3M. IMATION Complaint Analysis shall make the final determination of whether Finished Products fail to meet the Specifications.

(D) Where 3M can show that the Finished Products fail to meet the Specifications as a direct result of the Materials being defective, 3M will not be liable for the failure of the Finished Products to meet the applicable Specifications.

10. PAYMENT TERMS.

(A) As long as 3M continues to share its current financial system with IMATION, contract manufacturing services performed under this Agreement will be

billed to IMATION by 3M charging the net amount due to the appropriate IMATION commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. IMATION will pay 3M the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, amounts due under this Agreement will be billed and paid for as provided in Paragraphs 10(B)-(D) below. If for any reason an amount due does not get charged to the appropriate IMATION commodity code, then 3M may send IMATION an invoice for the amount due and Paragraphs 10(B)-(D) will apply.

(B) Invoices for all contract manufacturing services performed under this Agreement shall be issued and dated by 3M not earlier than the date services are completed. Invoices shall refer to IMATION's purchase order release number, quantity, service price and total invoice price. Payment terms shall be net thirty (30) days from the date of 3M's invoice.

(C) Invoices shall be submitted at the following address:

IMATION ENTERPRISES CORP.
1 Imation Place
Oakdale, MN 55128

(D) IMATION shall submit payments to 3M at the following address:

Minnesota Mining and Manufacturing Company
3M Accounts Payable
P.O. Box 33121
St. Paul, MN 55133-3121

(E) Credits due to rejection of Finished Products and discrepancies on paid invoices may be deducted by IMATION from subsequent payments by means of a debit memo.

11. MATERIALS PROVIDED BY IMATION.

(A) IMATION will provide the Materials listed in each Exhibit to 3M F.O.B. the relevant 3M facility for 3M to use in performing the contract manufacturing services described in the Exhibit. IMATION will provide such Materials to 3M's facility in sufficient quantities to allow 3M to provide the requested contract manufacturing services in a timely manner. 3M will keep IMATION informed of the quantities of Materials on hand and will promptly notify IMATION if additional Materials are required to enable 3M to continue performing the requested services in a timely manner.

(B) If specified in an Exhibit, 3M will inspect all Materials received from IMATION using inspection standards supplied by IMATION. All Materials failing the inspection test will be held for pickup by IMATION.

(C) 3M will keep all Materials at its manufacturing facility and will not relocate any of such Materials without IMATION's prior written approval. 3M will use Materials only to perform work for IMATION. 3M will keep the storage

area for Materials segregated from any inventory of 3M.

(D) Materials, work-in-process and Finished Products will remain at all times IMATION property. 3M will not pledge or mortgage any of the Materials, work-in-process or Finished Products. 3M will not do or omit to do anything which might encumber or threaten to encumber IMATION's ownership rights in the products, work-in-process or serviced products. 3M agrees to execute, upon request, a UCC-1 Financing Statement for filing by IMATION to record these IMATION ownership rights.

(E) When this Agreement expires or terminates (regardless of cause), 3M will immediately make available to IMATION all Materials and any other property belonging to IMATION and stored at 3M's premises or under 3M's control. If 3M does not immediately make such property available to IMATION, then IMATION may take all action permitted by law to immediately recover the property and 3M will on demand reimburse IMATION for all actual and reasonable costs IMATION incurs in recovering the property (including reasonable attorneys' fees and other expenses of litigation).

(F) IMATION has full risk of loss and damage as to any Materials, work-in-process and Finished Products in 3M's care, custody or control. IMATION waives subrogation against 3M for any loss or damage to any Materials, work-in-process or Finished Products in 3M's care, custody or control.

12. COST REDUCTIONS; QUALITY IMPROVEMENTS.

(A) IMATION is committed to low-cost, high quality manufacturing and expects the same commitment from its vendors. 3M has represented to IMATION that it shares this commitment to low-cost, high quality manufacturing and that 3M has the experience, expertise and resources necessary to provide contract manufacturing services at the lowest possible cost and the highest possible quality.

(B) The parties agree to meet semi-annually to establish mutually agreeable cost reduction and quality improvement targets and to develop effective and on-going cost reduction and quality improvement programs to meet or exceed the cost and quality targets.

(C) 3M recognizes the importance to IMATION of meeting or exceeding the cost reduction and quality improvement targets.

13. WARRANTIES.

(A) 3M will perform all services under this Agreement in a manner consistent with the highest standards of the industry and in strict compliance with all relevant statutes, ordinances, rules, regulations and other applicable law.

(B) 3M warrants that the contract manufacturing services provided under

this Agreement will conform to the Specifications. If IMATION determines that any service provided fails to meet the foregoing warranty, IMATION's exclusive remedies are set out in Paragraph 9(C).

(C) EXCEPT AS STATED HEREIN, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE RESPECTING THE SERVICES PROVIDED TO IMATION UNDER THIS AGREEMENT.

14. CONFIDENTIAL INFORMATION.

(A) As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

(1) "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the effective date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the effective date of this Agreement under the terms and for purposes of this Agreement except for:

(i) information learned by IMATION for the first time after the effective date of this Agreement, but prior to any disclosure by 3M;

(ii) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(iii) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the effective date of this Agreement and/or disclosed by 3M under this Agreement;

(v) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the

scope of the rights granted to or retained by IMATION under this Agreement or the Intellectual Property Rights Agreement;

- (vi) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the effective date of this Agreement from a business remaining with 3M on the effective date of this Agreement; and
- (vii) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(2) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the effective date of this Agreement and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

- (i) information learned by 3M for the first time subsequent to the effective date of this Agreement, but prior to any disclosure by IMATION;
- (ii) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;
- (iii) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not

violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

- (iv) information developed by 3M independent of any confidential IMATION information which is known by 3M on the effective date of this Agreement and/or disclosed by IMATION under this Agreement;
- (v) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights Agreement;
- (vi) information which is developed by a business which remains with 3M on the effective date of this Agreement and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the effective date of this Agreement from a business being transferred to IMATION on the effective date of this Agreement; and
- (vii) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(B) 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period

for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on the effective date of this Agreement shall be considered to be the effective date of this Agreement.

- (C) 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.
- (D) Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.
- (E) Each party shall insure that its affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.
- (F) The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

15. RIGHTS TO DEVELOPMENTS.

Ownership and rights in any intellectual property (whether patentable or not) conceived during the course of work under this Agreement up to and including June 30, 1998 will be governed by the Intellectual Property Rights Agreement. For purposes of such Agreement, information conceived hereunder shall be deemed to be 3M or Joint "Foreground IP" and/or "Foreground Patents" and/or "New Material" as the case may be, depending on the party or parties that conceived same (even if such intellectual property does not result from, or is not based upon, technical Background PI and/or Assigned PI and/or 3M Licensed

Works as defined in the Intellectual Property Rights Agreement). Furthermore, for purposes of the Intellectual Property Rights Agreement, ownership and rights in any intellectual property conceived during the period July 1, 1997, up to and including June 30, 1998, shall be treated the same as if conceived between July 1, 1996, up to and including June 30, 1997. If any services are to be provided under this Agreement after June 30, 1998, the parties agree to negotiate mutually acceptable provisions by June 30, 1998 regarding ownership and rights in any intellectual property conceived during the course of work under this Agreement after June 30, 1998.

16. REPORTS.

During the Term and for one (1) month after this Agreement expires or is terminated, before the twenty-fifth (25th) day of each month 3M will provide IMATION written reports on services performed during the prior month, including Finished Products shipped, Material usage and end-of-month inventory balances for each type of Material received from IMATION. 3M also agrees to conduct a physical inventory at least once per year during the Agreement term for each type of Material received from IMATION (or more frequently if requested by IMATION) and 3M will provide assistance in reconciling such physical inventory. In addition, as requested by IMATION, 3M agrees to provide IMATION a written report (in a form satisfactory to IMATION) covering quality audits, defect analysis (Pareto Diagram), corrective action, and other reports agreed to by the parties.

17. EQUIPMENT.

(A) In some Exhibits IMATION may agree to furnish Equipment to be used by 3M solely to perform its duties under this Agreement. 3M acknowledges that all such Equipment and any replacement thereof, together with all Documentation created during the Term with respect to the Equipment are the property of IMATION. IMATION will pay all applicable personal property taxes that pertain to the Equipment. 3M agrees to update the Documentation in a timely manner after changes to the Equipment have been made.

(B) 3M agrees to execute a UCC-1 financing statement (to be filed by IMATION) as an acknowledgment that the Equipment in the custody of 3M is owned by IMATION. Most pieces of Equipment where practical have been or will be marked with a IMATION identification number. 3M shall not sell, transfer, or remove the Equipment from the 3M location where the Equipment is originally delivered. 3M will not allow any third party to obtain a mortgage, security interest, lien, or any other type of encumbrance in or upon the Equipment.

(C) 3M acknowledges that IMATION has made absolutely no representations or statements about the character, condition, quality or characteristics of the Equipment. Before using the Equipment, 3M will do whatever is necessary to make certain that the Equipment is in a safe and proper condition for its intended use. IMATION NEITHER EXPRESSES NOR IMPLIES ANY WARRANTIES AS TO THE QUALITY OR CONDITION OF THE EQUIPMENT AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF

MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IMATION EXPRESSLY DISCLAIMS ANY REPRESENTATIONS ABOUT THE CONDITION, QUALITY, CAPACITY OR OTHER CHARACTERISTICS OF THE EQUIPMENT. This paragraph applies regardless of whether 3M has paid or offered IMATION any consideration for the use of the Equipment.

(D) 3M will not alter any Equipment in any manner whatsoever without the prior written approval of IMATION.

(E) The Equipment shall be used SOLELY AND EXCLUSIVELY for performing contract manufacturing services for IMATION under this Agreement and shall not be used for any other purpose whatsoever without the prior written approval of an officer of IMATION.

(F) IMATION may inspect the Equipment and Documentation at all reasonable times during normal business hours.

(G) During the time the Equipment is in 3M's possession, 3M at its own expense, shall:

- (1) service the Equipment regularly and maintain it in good operating condition at all times as specified by IMATION;
- (2) establish and maintain a documented calibration program (when applicable) and preventive maintenance program for Equipment with verification of the calibration sent to IMATION monthly. 3M will not allow the Equipment to be misused or to deteriorate, ordinary wear and tear excepted; and
- (3) provide all routine repair and maintenance for the Equipment. Major or extraordinary maintenance costs incurred will be borne by IMATION subject to IMATION's prior written approval for 3M to undertake such costs.

(H) IMATION has full risk of loss and damage as to any Equipment and Documentation in 3M's care, custody or control. IMATION waives subrogation against 3M for any loss or damage to any Equipment or Documentation in 3M's care, custody or control.

(I) If for any reason 3M is unable to continue to perform certain contract manufacturing services involving the use of some Equipment, 3M shall notify IMATION immediately and IMATION shall have the right to peaceably enter 3M's premises during normal business hours to remove the Equipment and Documentation, and 3M expressly waives any rights or remedies 3M may have with regard to IMATION Equipment and Documentation, including but not limited to any right 3M may have to notice and a hearing or to a bond, undertaking or surety before a writ of replevin, order of seizure or similar writ or order will issue or become enforceable.

(J) At the termination or expiration of this Agreement, 3M shall return any and all Equipment and Documentation to IMATION in the same condition as originally received or created by or for 3M, loss, damage and reasonable wear and tear excepted. IMATION shall pay the cost of tear down, crating and shipping of the Equipment and restoring the premises to their original condition at the time the Equipment was installed, reasonable wear and tear excepted. If for any reason 3M fails to comply promptly with such a request, IMATION shall have the right to peaceably enter 3M's premises during normal business hours to remove the Equipment and Documentation and IMATION may take all action permitted by law to immediately recover the Equipment and Documentation. 3M will on demand reimburse IMATION for all actual and reasonable costs IMATION incurs in recovering the Equipment and Documentation (including reasonable attorneys' fees and other expenses of litigation). 3M expressly waives any rights or remedies 3M may have with regard to the IMATION Equipment and Documentation, including but not limited to any right 3M may have to notice and a hearing or to a bond, undertaking, or surety before a writ of replevin, order of seizure, or similar writ or order will issue or become enforceable.

18. PLANT SAFETY.

(A) 3M is solely responsible for the safe performance of all contract manufacturing services, and for the safety of (1) all 3M's employees, agents, or delegates, (2) all employees, agents and delegates of 3M's subcontractors, and (3) for all people who may be present at or in the vicinity of 3M's plant.

(B) IMATION may from time to time provide certain industrial hygiene and other safety-related information to 3M. 3M will not pay IMATION for providing this information, and IMATION will provide this type of information at 3M's sole risk. 3M agrees to continue to exercise its own independent judgment on industrial hygiene and safety issues. Neither IMATION's providing of nor IMATION's failure to provide the type of information covered by this paragraph in any way changes or limits 3M's obligations under this Agreement or in any way changes or limits 3M's obligation to perform contract manufacturing services safely.

(C) If any employee of 3M, or of 3M's subcontractors, agents or delegates, claims to have suffered or aggravated an injury while performing work on Equipment, 3M will notify IMATION of the claim as soon as 3M becomes aware of it. Neither this paragraph nor IMATION's receipt of any notice contemplated by this paragraph make IMATION liable for any injury.

19. LIMITATION OF LIABILITIES; TIME LIMIT FOR FILING ACTION.

(A) EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN PARAGRAPH 21 (INDEMNIFICATION), NEITHER 3M NOR IMATION SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO EACH OTHER FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, REVENUE, OR BUSINESS) RESULTING FROM OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE TERMINATION, EXPIRATION, OR NONRENEWAL OF THIS AGREEMENT OR ARISING OUT OF OR ALLEGED TO HAVE

ARISEN OUT OF BREACH OF THIS AGREEMENT OR BREACH OF ANY PRODUCT SPECIFICATION OR PURCHASE ORDER RELEASE ACCEPTED PURSUANT TO THIS AGREEMENT. This limitation applies regardless of whether such damages are sought based on breach of warranty, breach of Agreement, negligence, strict liability in tort, or any other legal theory. This limitation does not apply to claims for personal injury by a third party or infringement of intellectual property rights.

(B) ANY CLAIM FOR BREACH OF WARRANTY OR BREACH OF ANY OTHER OBLIGATION UNDER THIS AGREEMENT MUST BE COMMENCED WITHIN ONE (1) YEAR AFTER THE BREACH OCCURS.

20. WASTE MATERIAL.

(A) 3M will be responsible for the final and proper disposal of all waste material generated while performing contract manufacturing services (Waste). 3M represents and warrants that it will properly package, label, store, transport, dispose of and otherwise handle Waste in accordance with all federal, state and local regulations and laws and in accordance with sound environmental practice.

(B) 3M shall, at its sole cost and expense, apply for and obtain all permits required by all applicable laws, ordinances and regulations for the transportation, handling or disposal of those materials. 3M shall maintain the permits for the duration of this Agreement.

21. INDEMNIFICATION.

(A) IMATION agrees to indemnify, defend and hold harmless 3M, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which 3M may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Paragraph 21 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this Agreement.

(B) If 3M intends to claim indemnification under this Paragraph 21, 3M will promptly notify IMATION in writing of any claim, action, or demand for which 3M intends to claim indemnification. In addition, 3M will promptly notify IMATION in writing if 3M elects to waive its right to have IMATION defend the claim, action, or demand. If 3M does not waive its right to have IMATION defend the claim, action, or demand, 3M agrees that IMATION will control the defense of the claim, action, or demand. 3M will cooperate fully with IMATION and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. 3M will permit IMATION to settle any claim,

action, or demand and agrees that IMATION will control the settlement, provided, however, that such settlement does not adversely affect 3M's rights under this Agreement or impose any obligations on 3M in addition to those stated in this Agreement. IMATION, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to 3M of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by 3M without the prior written consent of IMATION.

22. INSURANCE.

(A) 3M will obtain the following minimum insurance coverage, and maintain it at all times throughout the life of this Agreement.

- (1) Comprehensive General Liability Insurance or Commercial General Liability Insurance, to cover personal injuries, including death, and property damage.
- (2) Broad Form Contractual Liability insurance coverage as to 3M's indemnity obligations.
- (3) Workers' Compensation and Employers' Liability Insurance or legally self-insured as required by law. The Employers' Liability Insurance must have a minimum limit of One Million Dollars (\$1,000,000.00) per accident. 3M may satisfy this limit either with a single policy or with a primary policy plus an umbrella policy.

(B) 3M will provide to IMATION certificates of insurance no later than July 31, 1996 showing compliance with the insurance specifications. The certificates must state that the insurance cannot be canceled or changed without thirty (30) days advance notice to IMATION. 3M must keep the certificates current and must in any event file a new certificate each year while this Agreement is in effect. Neither IMATION's failure to require or to insist upon certificates or other evidence of insurance, nor IMATION's acceptance of a certificate or other evidence of insurance showing a variance from the specified coverage changes 3M's obligation to maintain the required insurance.

(C) If 3M does not provide the specified insurance, then 3M will defend, indemnify and hold harmless IMATION, and IMATION's directors, officers, agents and employees to the extent necessary to afford the same protection as would have been provided by the specified insurance. The intent of this defense and indemnity obligation is to put IMATION in the same position that IMATION would have occupied if 3M had maintained the required insurance.

(D) IMATION does not in any way represent or warrant that the types or

limits of insurance specified in Paragraph 22(A) adequately protect 3M's interests or sufficiently cover 3M's liability.

23. FORCE MAJEURE.

(A) If the performance of the services listed in any Exhibit or of any obligation under this Agreement is prevented, restricted or interfered with by reason of fire or earthquake or other casualty or accident; inability to procure raw materials, power or supplies (for reasons other than 3M's negligence or fault or failure to timely order); war or other violence; any law, order, proclamation, regulation, ordinance, demand or requirement of any government agency, court or intergovernmental body; or any other act or condition whatsoever beyond the reasonable control of the parties hereto, the party so affected, upon giving notice to the other party, shall be excused from such performance to the extent of such prevention, restriction or interference; provided that the party so affected shall use its best effort as to avoid or remove such causes of nonperformance and shall continue performance under this Agreement with the utmost dispatch whenever such causes are removed.

(B) If performance of the services listed in any Exhibit or of any obligation under this Agreement is prevented, restricted or interfered with for any reason set forth in this paragraph and such prevention, restriction or interference lasts for, or is expected to last for more than one hundred twenty (120) days, the party whose performance is not affected by the force majeure condition shall have the option of being excused, without further obligation, from performance of the Exhibit or from performance of the Agreement, whichever is applicable.

24. RELATIONSHIP OF PARTIES.

Neither party is an agent of the other party under this Agreement and has no authority to bind any other party, transact any business in any other party's name or on its behalf, or make any promises or representations on behalf of any other party. Each party makes this Agreement and will perform all of its respective obligations under this Agreement as an independent contractor, and no joint venture, partnership or other relationship shall be created or implied by this Agreement. The employees and agents of each party are NOT for any purpose the employees or agents of the other party.

25. NO UNAUTHORIZED DELEGATION OR ASSIGNMENT
THIRD PARTY RIGHTS.

(A) Except as specifically authorized in a writing signed by a Vice President of IMATION, 3M will not delegate, assign or permit by merger, acquisition or change of corporate form any of its duties under this Agreement to be performed by anyone else. The decision as to whether to authorize any delegation, assignment or change in performance obligations is solely within IMATION's discretion.

(B) The promises and obligations contained in this Agreement apply to, benefit and bind not only the parties but also their respective divisions, subsidiaries, assigns, delegates and successors in interest.

(C) Any assignment, delegation, or transfer of this Agreement or any interest therein without the written consent of the other party is void and cause for termination of this Agreement.

(D) NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO GRANT ANY PERSON OR ENTITY NOT A PARTY HERETO ANY RIGHTS OR POWERS WHATSOEVER; AND NO PERSON OR ENTITY SHALL BE A THIRD PARTY BENEFICIARY OF THIS AGREEMENT.

26. SURVIVAL.

The rights and obligations of the parties hereto under Paragraph 13 [Warranties], 15 [Rights to Developments], 19 [Limitation of Liabilities; Time Limit for Filing Action], 20 [Waste Material] and 21 [Indemnification] shall survive any termination, cancellation or expiration of this Agreement. The obligations of the parties under Paragraph 14 [Confidential Information] shall survive for the period specified in Paragraph 14(D) (6).

27. DISPUTE RESOLUTION.

(A) The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Paragraph 27(K) these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

(B) Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

(C) Submission to Mediation; Cost of Mediation: If, at the conclusion of such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

(D) Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

(E) Mediation And Arbitration.

- (1) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session. If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Paragraph 27(F). The arbitration proceeding shall be held in Minnesota, shall be governed by the United States Arbitration Act, 9 U.S.C. SS 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.
- (2) Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Paragraph 27 to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes, shall expire on July 1, 2001.

(F) Selection of Arbitrator. The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

(G) Cost of Arbitration. The costs of arbitration shall be apportioned between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

(H) Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Paragraph and requesting arbitration after having participated in negotiation and mediation under this Paragraph.

(I) Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Paragraph shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

(J) Confidentiality. All negotiation, mediation and arbitration proceedings under this Paragraph shall be treated as Confidential Information in accordance with Paragraph 14. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

(K) Equitable Relief. Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Paragraph. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

28. GOVERNING LAW; CHOICE OF FORUM.

Any questions, claims, disputes, or litigation arising from or related to this Agreement are governed by the laws of Minnesota without regard to the principles of conflicts of law.

29. PARAGRAPH HEADINGS.

The title and headings of the various paragraphs of this Agreement are inserted for convenience of reference only and shall not be construed to affect the construction or interpretation of any of its provisions.

30. WAIVER.

Any failure or delay by either party in exercising any right or remedy in one or many instances will not prohibit a party from exercising it at a later time or from exercising any other right or remedy.

31. MODIFICATION.

No part of this Agreement may be waived, modified, or supplemented in any manner whatsoever (including a course of dealing or of performance or usage of trade) except by a written instrument signed by authorized officers of the parties.

32. NOTICES.

All notices shall be in writing and shall be deemed to have been given when received. Any notice to be given to IMATION shall be addressed to:

Vice-President
[Imation business unit listed on
applicable Exhibit)
Imation Enterprises Corp.
1 Imation Place
Oakdale, Minnesota 55128

with a copy to:

General Counsel
Imation Legal Department
Bldg. 220-11W-01
I-94 & McKnight Road
St. Paul, MN 55144-1000

Any notice to 3M shall be addressed to:

Staff Vice President
3M Purchasing
3M Center, Bldg. 224-1N
St. Paul, Minnesota 55144-1000

with a copy to:

Division Vice President
[3M business unit listed on applicable Exhibit]
Minnesota Mining and Manufacturing Company
3M Center, Building _____
St. Paul, Minnesota 55144-1000

Any change in address shall be promptly communicated by either party to the other party.

33. AUTHORITY.

The undersigned represent and warrant that they are persons legally authorized to execute this Agreement on behalf of IMATION and 3M, respectively.

34. ENTIRE AGREEMENT.

This Agreement and the Exhibits referred to in this Agreement, which exhibits are incorporated and made a part of this Agreement by this reference, supersede and terminate any and all prior agreements, if any, whether written or oral, between the parties with respect to the subject matter contained herein. Each party agrees that it has not relied on any representation, warranty, or provisions not explicitly stated in this Agreement, and that no oral statement has been made to either party that in any way tends to waive any of the terms or

conditions of this Agreement. THIS AGREEMENT IS INTENDED BY THE PARTIES TO BE A FINAL, COMPLETE AND EXCLUSIVE STATEMENT OF ALL TERMS AND CONDITIONS OF THE AGREEMENT.

The parties have signed this Agreement on the date indicated below.

MINNESOTA MINING AND
MANUFACTURING COMPANY (3M)

IMATION ENTERPRISES CORP. (IMATION)

By _____
Name (print) _____
Title _____
Date _____

By _____
Name (print) _____
Title _____
Date _____

3M TO IMATION

CONTRACT MANUFACTURING SERVICE EXHIBIT

1. IMATION Business Unit Requesting Service: _____

2. 3M Business Unit Performing Service: _____

3. Effective Date: _____

4. Contract Manufacturing Service To Be Performed By 3M:

5. Material(s) To Be Provided By IMATION:

6. Other Things To Be Provided or Paid For By IMATION:

7. Amount To Be Paid By IMATION For Contract Manufacturing Service:

8. Special Conditions:

ACCEPTED AND AGREED TO:

IMATION ENTERPRISES CORP.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By

By

Print Name

Print Name

Title

Title

Date

Date

CONTRACT MANUFACTURING SERVICES AGREEMENT (IMATION FOR 3M)

This Agreement is between MINNESOTA MINING AND MANUFACTURING COMPANY, a Delaware corporation, with its principal place of business at 3M Center, St. Paul, Minnesota 55144, (3M); and IMATION ENTERPRISES CORP., a Delaware corporation, with its principal place of business at 1 Imation Place, Oakdale, Minnesota 55128 (IMATION).

1. DEFINITIONS.

For the purpose of this Agreement, the following words and phrases shall have the meaning set forth below:

(A) "AGREEMENT" means this document, together with all Exhibits. The Exhibits are incorporated by reference and made a part of this document.

(B) "DEFAULTING PARTY" is defined in Paragraph 3(C).

(C) "DISTRIBUTION DATE" means the date on which 3M distributes Imation Corp. stock.

(D) "DOCUMENTATION" means all drawings and other documentation related to Equipment.

(E) "EQUIPMENT" means all equipment furnished by 3M to IMATION for IMATION to use to perform contract manufacturing services under this Agreement.

(F) "FINISHED PRODUCTS" means the finished products fabricated, assembled or processed by IMATION under this Agreement.

(G) "IMATION CONFIDENTIAL INFORMATION" is defined in Paragraph 14(A) (2) .

(H) "MATERIALS" means components, materials or sub-assemblies provided by 3M to IMATION.

(I) "3M CONFIDENTIAL INFORMATION" is defined in Paragraph 14(A) (1) .

(J) "NON-DEFAULTING PARTY" is defined in Paragraph 3(C) .

(K) "SPECIFICATION(S)" means the written product specifications, process specifications, performance specifications, and packaging specifications agreed upon by the parties. The Specifications may be changed at any time by mutual written agreement of the parties.

(L) "TERM" means the term of this Agreement as governed by Paragraph 3.

(M) "TOTAL COST" is defined in Paragraph 6(A) .

(N) "WASTE" is defined in Paragraph 20(A) .

2. SCOPE AND PURPOSE.

(A) This Agreement sets out the terms and conditions under which IMATION will provide fabrication, assembly, processing and other similar contract manufacturing services for 3M using Materials provided by 3M and in accordance with the Specifications. Title to all such Materials shall at all times remain with 3M.

(B) During the Term IMATION agrees to do, furnish and pay for all labor, supervision, taxes, equipment, facilities, supplies and any and all other things necessary to perform fully and to 3M's reasonable satisfaction the contract manufacturing services described in all Exhibits executed by the parties.

(C) During the Term 3M will do, furnish and pay for all things described in all Exhibits executed by the parties.

(D) A separate Exhibit will be signed for each contract manufacturing service to be performed by IMATION. Each Exhibit will identify (i) the 3M business unit requesting the contract manufacturing service, (ii) the IMATION

business unit which will perform the service, (iii) the term during which the service will be performed, (iv) the contract manufacturing service to be performed, (v) the Materials, equipment and other things to be provided or paid for by 3M, (vi) the amount to be paid to IMATION by 3M and (vii) any other special conditions governing the specific services described in the Exhibit.

3. TERM AND TERMINATION.

(A) This Agreement takes effect when both 3M and IMATION sign this Agreement and continues in effect until the last Exhibit has been terminated or until either party sends the other a written termination notice in accordance with this Paragraph, whichever occurs first. Except as provided in Paragraph 3(C), IMATION cannot terminate this Agreement while still obligated to perform services under an outstanding Exhibit. Even after termination, the provisions of this Agreement continue to apply to services provided, charges incurred, payments made, events occurring and obligations arising before the date of termination.

(B) IMATION's obligations under this Agreement with respect to a specific Exhibit shall begin on the date listed in the Exhibit and shall terminate on the earlier of:

- (1) where the Exhibit provides a fixed term, the expiration date of the term specified in the applicable Exhibit;
- (2) where the Exhibit provides an open-ended term, the date of termination contained in the termination notice; or
- (3) the date of termination pursuant to Paragraph 3(C) or 3(D), as applicable.

With respect to Paragraph 3(B)(2), the party terminating the Exhibit agrees to give the other party written notice at least ninety (90) days prior to the desired termination date, unless otherwise provided in the Exhibit.

(C) Subject to Paragraph 23 (Force Majeure), and any special requirements in an Exhibit, either party (the "Non-Defaulting Party") may terminate this Agreement upon sixty (60) calendar days prior written notice to the other party (the "Defaulting Party") if the Defaulting Party is in breach of a material obligation under this Agreement and does not remedy such default to the reasonable satisfaction of the Non-Defaulting Party within such sixty (60) day period. In the case of non-payment under Paragraph 10, IMATION may terminate this Agreement upon seven (7) calendar days prior written notice to 3M. For purposes of this Paragraph 3(C), good faith disputes regarding the quality or timeliness with respect to any specific service shall not be deemed a failure to perform a material obligation under this Agreement.

(D) If a Non-Defaulting Party is entitled to terminate this Agreement in its entirety under Paragraph 3(C), it may instead terminate this Agreement in part, upon the same notice provisions as specified in Paragraph 3(C) as follows:

- (1) If the default relates to the payment for a service, IMATION may terminate this Agreement as to the provision of that service to 3M.
- (2) If the default relates to the provision of a service, the Non-Defaulting Party may, in its sole discretion, terminate this Agreement as to the provision of that service by IMATION.

Either party's use of this Paragraph to terminate services does not waive the Defaulting Party's other obligations under this Agreement or the Non-Defaulting Party's right to make claims for breach of this Agreement.

4. ORDERING PROCEDURES.

(A) 3M shall send IMATION blanket purchase orders for the contract manufacturing services listed in each Exhibit. A blanket purchase order is for IMATION's planning purposes only and is not a commitment to purchase any particular dollar value of contract manufacturing service. Unless otherwise stated in an Exhibit, 3M shall issue purchase order releases against a blanket purchase order which constitutes 3M's firm commitment to purchase a specific dollar value of contract manufacturing services. 3M will not be responsible for any of IMATION's cost or expense for supplies, labor, or other commitments or expenses other than as authorized by written 3M purchase order releases in IMATION's possession. EXCEPT AS SET OUT IN PURCHASE ORDER RELEASES SENT TO IMATION, 3M MAKES NO REPRESENTATION OR GUARANTEE AS TO THE DOLLAR VALUE OF CONTRACT MANUFACTURING SERVICES THAT 3M WILL PURCHASE UNDER THIS AGREEMENT.

(B) The information on the purchase order release will include the purchase order number, Specification number or title, description of service purchased, and, as applicable, routing instructions, delivery schedule and destination.

(C) IMATION agrees to accept telegraphic or telecopied purchase order releases. 3M will make a reasonable effort to send a confirming, written purchase order release within two (2) days of receiving such telegraphic or telecopied purchase order release. Unless otherwise provided in an Exhibit, IMATION will not proceed without the issuance of a purchase order release number by 3M.

(D) The terms and conditions contained on 3M's purchase orders shall apply to all transactions relating to the contract manufacturing services covered by this Agreement. If 3M's purchase order terms and conditions contain any specific provisions inconsistent with this Agreement, then this Agreement shall govern and the inconsistent provision of 3M's purchase order shall be applicable only so far as it is consistent with this Agreement. If 3M's purchase order terms and conditions contain any specific provisions which address issues not covered by this Agreement, then they will not be part of this Agreement unless they are accepted in writing by IMATION.

(E) IMATION shall only accept purchase order releases that originate from the following 3M facility, or other location designated by 3M in writing.

Minnesota Mining and Manufacturing Company
Purchasing Department
P.O. Box 33327
St. Paul, Minnesota 55133

5. ADDITIONAL SERVICES

(A) If 3M requests IMATION to perform any services beyond the scope of the contract manufacturing services described in an Exhibit, then 3M will pay IMATION a mutually agreed upon amount for performing such additional services.

(B) If IMATION believes certain services constitutes service beyond the scope of services specified in an Exhibit, then the following procedure shall apply:

(1) Before performing the services in question, IMATION shall bring the matter to 3M's attention by sending 3M a letter describing in reasonable detail why such services constitute additional services.

(2) Upon receipt of the letter, 3M will evaluate the services in question and inform IMATION in writing of 3M's position. If 3M agrees that the services in question constitute additional services, then 3M and IMATION shall negotiate the amount which IMATION will charge 3M if 3M requests IMATION to perform the additional services. 3M will then inform IMATION whether or not 3M wishes IMATION to perform the additional services. If 3M does not agree that the services in question constitute additional services, then IMATION agrees to perform the services in question, keep accurate records of the time spent performing the services in question and reserves the right to seek resolution of the dispute using the procedure described in Paragraph 27.

(C) If IMATION performs any services without following the procedure set forth in Paragraph 5(B) above, then IMATION shall be deemed to have waived its right to seek additional compensation based upon the claim that such services are beyond the scope of services specified in the Exhibit.

6. PRICE.

(A) Unless otherwise stated in an attached Exhibit, the prices which IMATION will charge and 3M will pay for contract manufacturing services under this Agreement will be IMATION's Total Cost plus a markup of eight percent (8%). For the purposes of this Agreement, "Total Cost" means IMATION's actual factory cost for labor and overhead plus any laboratory, engineering and administrative costs expended to provide the service. The initial Total Cost will be determined based on actual costs from the previous six (6) months. Thereafter, prices will be adjusted at the beginning of each calendar year by recalculating the Total Cost for each service based on the actual cost for the previous six (6) months.

Where the prices in an Exhibit are not Total Cost + 8%, the prices may not be increased during the first twelve (12) months of the applicable blanket purchase order, unless otherwise stated in an Exhibit. Thereafter, the prices may be changed by IMATION with thirty (30) days prior written notice to 3M, unless an Exhibit provides otherwise.

(B) The prices are F.O.B. IMATION's facility, unless stated otherwise in the Exhibit. The Exhibit prices state IMATION's total right to remuneration for all obligations performed (or to be performed) under this Agreement, and include all payment for IMATION's profit and total compensation for transfer of Product Developments and Process Developments to 3M as described in Paragraph 15 and for all of IMATION's costs, including labor; statutory coverages (e.g., unemployment insurance, F.I.C.A.); fringe benefits; overhead; the costs of providing the reports described in Paragraph 16; the costs of storing Materials, Equipment, packaging supplies and Finished Products; the costs of the insurance described in Paragraph 22; the costs of secretarial and other support services; and all other IMATION expenses and expenditures.

(C) For services which are priced at IMATION's Total Cost plus a markup of eight percent, IMATION grants 3M the right to have IMATION's cost records audited by an independent certified public accountant selected by 3M and approved by IMATION. The independent certified public accountant will agree to treat this information as confidential and will only disclose to 3M whether or not the Total Cost IMATION communicated to 3M was accurate. 3M may request an audit no more than twice each year per service. If the accountant determines that the Total Cost is inaccurate, then the Total Cost will be adjusted accordingly.

7. LABELING AND PACKAGING.

Labeling and packaging of products requested in an Exhibit shall be done in accordance with the Specifications. IMATION agrees, at its own expense, to provide labor, materials, and facilities required to provide such labeling and packaging, unless the Exhibit provides otherwise.

8. DELIVERY.

(A) The purchase order releases forwarded by 3M to IMATION shall state the completion dates for the requested contract manufacturing services and, where appropriate, shipment dates for 3M products serviced by IMATION.

(B) Unless otherwise stated in an Exhibit, 3M shall select the carrier and shall assume and pay transportation charges. Risk of loss for products serviced by IMATION shall pass to 3M only upon proper delivery of the serviced products by IMATION to the 3M-designated carrier. 3M shall have the option to select the mode of transportation and carrier for each single shipment. Any excess costs due to use of alternative modes or carriers not requested by 3M shall be borne by IMATION.

9. INSPECTION.

(A) IMATION shall inspect each shipment of the Finished Products before delivery to confirm and certify that such Finished Products meet the applicable Specifications. IMATION agrees to provide in-process and Finished Product quality data as agreed to by the parties.

(B) 3M may inspect Finished Products within sixty (60) days after receipt at 3M's location to the same incoming test or inspection criteria as provided to IMATION in the Specifications. Any Finished Products not rejected within sixty (60) days after receipt are accepted. 3M is authorized to perform source inspection and quality assurance audits in nonproprietary areas at IMATION's facilities upon reasonable notice from 3M, but this shall in no way relieve IMATION of its obligation to deliver Finished Products that conform to the Specifications or waive 3M's right of inspection and acceptance (or rejection) at 3M's location.

(C) Finished Products that fail to meet the Specifications may be rejected by 3M. In such event, if it is possible to correct the problem, then 3M will return such Finished Products to IMATION to be reworked with IMATION bearing all costs of transportation and risk of loss both ways and IMATION will rework such Finished Products within thirty (30) days after receipt. If it is not possible to rework such Finished Products to meet the applicable Specifications, then IMATION will reimburse 3M for the amount 3M paid IMATION for the Finished Products plus the cost of the Materials provided to IMATION by 3M and used by IMATION to make the rejected Finished Products within thirty (30) days after receipt of an invoice from 3M. 3M, at its option, may elect to take a credit for the amount due against future service invoices received from IMATION. 3M Complaint Analysis shall make the final determination of whether Finished Products fail to meet the Specifications.

(D) Where IMATION can show that the Finished Products fail to meet the Specifications as a direct result of the Materials being defective, IMATION will not be liable for the failure of the Finished Products to meet the applicable Specifications.

10. PAYMENT TERMS.

(A) As long as 3M continues to share its current financial system with IMATION, contract manufacturing services performed under this Agreement will be billed to 3M by IMATION charging the net amount due to the appropriate 3M commodity code. The net amount charged will be summarized with all other charges during the month on the eighth work day of the following month. 3M will pay IMATION the net amounts due on the ninth work day of the month. Once IMATION develops its own financial system, amounts due under this Agreement will be billed and paid for as provided in Paragraphs 10(B)-(D) below. If for any reason an amount due does not get charged to the appropriate 3M commodity code, then IMATION may send 3M an invoice for the amount due and Paragraphs 10(B)-(D) will apply.

(B) Invoices for all contract manufacturing services performed under this Agreement shall be issued and dated by IMATION not earlier than the date services are completed. Invoices shall refer to 3M's purchase order release number, quantity, service price and total invoice price. Payment terms shall be net thirty (30) days from the date of IMATION's invoice.

(C) Invoices shall be submitted at the following address:

Minnesota Mining and Manufacturing Company
3M Accounts Payable
P.O. Box 33121
St. Paul, Minnesota 55133-3121

(D) 3M shall submit payments to IMATION at the following address:

IMATION ENTERPRISES CORP.
1 Imation Place
Oakdale, MN 55128

(E) Credits due to rejection of Finished Products and discrepancies on paid invoices may be deducted by 3M from subsequent payments by means of a debit memo.

11. MATERIALS PROVIDED BY 3M

(A) 3M will provide the Materials listed in each Exhibit to IMATION F.O.B. the relevant IMATION facility for IMATION to use in performing the contract manufacturing services described in the Exhibit. 3M will provide such Materials to IMATION's facility in sufficient quantities to allow IMATION to provide the requested contract manufacturing services in a timely manner. IMATION will keep 3M informed of the quantities of Materials on hand and will promptly notify 3M if additional Materials are required to enable IMATION to continue performing the requested services in a timely manner.

(B) If specified in an Exhibit, IMATION will inspect all Materials received from 3M using inspection standards supplied by 3M. All Materials failing the inspection test will be held for pickup by 3M.

(C) IMATION will keep all Materials at its manufacturing facility and will not relocate any of such Materials without 3M's prior written approval. IMATION will use Materials only to perform work for 3M. IMATION will keep the storage area for Materials segregated from any inventory of IMATION.

(D) Materials, work-in-process and Finished Products will remain at all times 3M property. IMATION will not pledge or mortgage any of the Materials, work-in-process or Finished Products. IMATION will not do or omit to do anything which might encumber or threaten to encumber 3M's ownership rights in the products, work-in-process or serviced products. IMATION agrees to execute, upon request, a UCC-1 Financing Statement for filing by 3M to record these 3M

ownership rights.

(E) When this Agreement expires or terminates (regardless of cause), IMATION will immediately make available to 3M all Materials and any other property belonging to 3M and stored at IMATION's premises or under IMATION's control. If IMATION does not immediately make such property available to 3M, then 3M may take all action permitted by law to immediately recover the property and IMATION will on demand reimburse 3M for all actual and reasonable costs 3M incurs in recovering the property (including reasonable attorneys' fees and other expenses of litigation).

(F) 3M has full risk of loss and damage as to any Materials, work-in-process and Finished Products in IMATION's care, custody or control. 3M waives subrogation against IMATION for any loss or damage to any Materials, work-in-process or Finished Products in IMATION's care, custody or control.

12. COST REDUCTIONS; QUALITY IMPROVEMENTS.

(A) 3M is committed to low-cost, high quality manufacturing and expects the same commitment from its vendors. IMATION has represented to 3M that it shares this commitment to low-cost, high quality manufacturing and that IMATION has the experience, expertise and resources necessary to provide contract manufacturing services at the lowest possible cost and the highest possible quality.

(B) The parties agree to meet semi-annually to establish mutually agreeable cost reduction and quality improvement targets and to develop effective and on-going cost reduction and quality improvement programs to meet or exceed the cost and quality targets.

(C) IMATION recognizes the importance to 3M of meeting or exceeding the cost reduction and quality improvement targets.

13. WARRANTIES.

(A) IMATION will perform all services under this Agreement in a manner consistent with the highest standards of the industry and in strict compliance with all relevant statutes, ordinances, rules, regulations and other applicable law.

(B) IMATION warrants that the contract manufacturing services provided under this Agreement will conform to the Specifications. If 3M determines that any service provided fails to meet the foregoing warranty, 3M's exclusive remedies are set out in Paragraph 9(C).

(C) EXCEPT AS STATED HEREIN, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE RESPECTING THE SERVICES PROVIDED TO 3M UNDER THIS AGREEMENT.

14. CONFIDENTIAL INFORMATION.

(A) As used in this Agreement, 3M Confidential Information and IMATION Confidential Information are defined as follows:

(1) "3M CONFIDENTIAL INFORMATION" means information known by IMATION on the effective date of this Agreement and reasonably understood by IMATION to be confidential and related to 3M's business interests, or disclosed confidentially by 3M to IMATION after the effective date of this Agreement under the terms and for purposes of this Agreement except for:

(i) information learned by IMATION for the first time after the effective date of this Agreement, but prior to any disclosure by 3M;

(ii) information which is or becomes publicly available through no act of IMATION, from and after the date of public availability;

(iii) information disclosed to IMATION by a third party, provided (a) under the circumstances of disclosure IMATION does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including 3M, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by IMATION independent of any confidential 3M information which is known by IMATION on the effective date of this Agreement and/or disclosed by 3M under this Agreement;

(v) information which is inherently disclosed in marketing of a product by IMATION in the usual course of business and within the scope of the rights granted to or retained by IMATION under this Agreement or the Intellectual Property Rights Agreement;

(vi) information which is developed by a business which is being transferred to IMATION and constitutes performance specifications for chemicals, compositions, formulations,

materials, components, devices, articles or other items obtained prior to the effective date of this Agreement from a business remaining with 3M on the effective date of this Agreement; and

(vii) information which IMATION can demonstrate was disclosed by a 3M business being transferred to IMATION to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(2) "IMATION CONFIDENTIAL INFORMATION" means information known by 3M on the effective date of this Agreement and reasonably understood by 3M to be confidential and related to IMATION's present or future business interests, or disclosed confidentially by IMATION to 3M under the terms and for purposes of this Agreement except for:

(i) information learned by 3M for the first time subsequent to the effective date of this Agreement, but prior to any disclosure by IMATION;

(ii) information which is or becomes publicly available through no act of 3M, from and after the date of public availability;

(iii) information disclosed to 3M by a third party, provided (a) under the circumstances of disclosure 3M does not have a duty of non-disclosure owed to such third party, (b) the third party's disclosure is not violative of a duty of non-disclosure owed to another, including IMATION, and (c) the disclosure by the third party is not otherwise unlawful;

(iv) information developed by 3M independent of any confidential IMATION information which is known by 3M on the effective date of this

Agreement and/or disclosed by IMATION under this Agreement;

- (v) information which is inherently disclosed in marketing of a product by 3M in the usual course of business and within the scope of the rights granted to or retained by 3M under this Agreement or the Intellectual Property Rights Agreement;
- (vi) information which is developed by a business which remains with 3M on the effective date of this Agreement and constitutes performance specifications for chemicals, compositions, formulations, materials, components, devices, articles or other items obtained prior to the effective date of this Agreement from a business being transferred to IMATION on the effective date of this Agreement; and
- (vii) information which 3M can demonstrate was disclosed to a third party prior to November 14, 1995, and for which any obligation of confidentiality by that third party has expired, from and after the date such third party obligation of confidentiality expires, and provided that disclosure of an item of information to one third party and a different item of information to another third party shall not be viewed as disclosure of information which can only be drawn from those items of information collectively.

(B) 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any business information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall expire with respect to business information which is IMATION Confidential Information and 3M Confidential Information five (5) years after the date of disclosure of such information, unless and to the extent the parties agree to a longer period for the foregoing restrictions with respect to specific categories of business information which is IMATION Confidential Information and/or 3M Confidential Information, in which case the foregoing restrictions shall expire with respect to such information on the expiration of such longer period. The date of disclosure in the case of business information which is either 3M Confidential Information known by IMATION or IMATION Confidential Information known by 3M on

the effective date of this Agreement shall be considered to be the effective date of this Agreement.

- (C) 3M and IMATION each shall not disclose to another or use except for purposes of the Agreement any technical information which is IMATION Confidential Information or 3M Confidential Information, respectively. The foregoing restrictions shall not expire until such time and to the extent that such information ceases to be IMATION Confidential Information or 3M Confidential Information, as the case may be.
- (D) Each party shall protect Confidential Information under this Agreement by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the other party's Confidential Information as the party uses to protect its own confidential information of a like nature.
- (E) Each party shall insure that its affiliates, sublicensees and other transferees agree to be bound by the same restrictions on use and disclosure of Confidential Information as bind the party in advance of the disclosure of Confidential Information to them.
- (F) The parties recognize that 3M Confidential Information and/or IMATION Confidential Information disclosed hereunder may relate to an "Extraordinarily Sensitive Technology" as contemplated by the Intellectual Property Rights Agreement. Any such Confidential Information shall be subject to the special treatment provided for in Paragraph 15.3 of the Intellectual Property Rights Agreement.

15. RIGHTS TO DEVELOPMENTS.

Ownership and rights in any intellectual property (whether patentable or not) conceived during the course of work under this Agreement up to and including June 30, 1998 will be governed by the Intellectual Property Rights Agreement. For purposes of such Agreement, information conceived hereunder shall be deemed to be Imation or Joint "Foreground IP" and/or "Foreground Patents" and/or "New Material" as the case may be depending on the party or parties that conceived same (even if such intellectual property does not result from, or is not based upon, technical Background PI and/or Assigned PI and/or 3M Licensed Works as defined in the Intellectual Property Rights Agreement). Furthermore, for purpose of the Intellectual Property Rights Agreement, ownership and rights in any intellectual property conceived during the period July 1, 1997, up to and including June 30, 1998, shall be treated the same as if conceived between July 1, 1996, up to and including June 30, 1997. If any services are to be provided under this Agreement after June 30, 1998, the parties agree to negotiate mutually acceptable provisions by June 30, 1998 regarding ownership and rights in any intellectual property conceived during the course of work under this

16. REPORTS.

During the Term and for one (1) month after this Agreement expires or is terminated, before the twenty-fifth (25th) day of each month IMATION will provide 3M written reports on services performed during the prior month, including Finished Products shipped, Material usage and end-of-month inventory balances for each type of Material received from 3M. IMATION also agrees to conduct a physical inventory at least once per year during the Agreement term for each type of Material received from 3M (or more frequently if requested by 3M) and IMATION will provide assistance in reconciling such physical inventory. In addition, as requested by 3M, IMATION agrees to provide 3M a written report (in a form satisfactory to 3M) covering quality audits, defect analysis (Pareto Diagram), corrective action, and other reports agreed to by the parties.

17. EQUIPMENT.

(A) In some Exhibits 3M may agree to furnish Equipment to be used by IMATION solely to perform its duties under this Agreement. IMATION acknowledges that all such Equipment and any replacement thereof, together with all Documentation created during the Term with respect to the Equipment are the property of 3M. 3M will pay all applicable personal property taxes that pertain to the Equipment. IMATION agrees to update the Documentation in a timely manner after changes to the Equipment have been made.

(B) IMATION agrees to execute a UCC-1 financing statement (to be filed by 3M) as an acknowledgment that the Equipment in the custody of IMATION is owned by 3M. Most pieces of Equipment where practical have been or will be marked with a 3M identification number. IMATION shall not sell, transfer, or remove the Equipment from the IMATION location where the Equipment is originally delivered. IMATION will not allow any third party to obtain a mortgage, security interest, lien, or any other type of encumbrance in or upon the Equipment.

(C) IMATION acknowledges that 3M has made absolutely no representations or statements about the character, condition, quality or characteristics of the Equipment. Before using the Equipment, IMATION will do whatever is necessary to make certain that the Equipment is in a safe and proper condition for its intended use. 3M NEITHER EXPRESSES NOR IMPLIES ANY WARRANTIES AS TO THE QUALITY OR CONDITION OF THE EQUIPMENT AND EXPRESSLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. 3M EXPRESSLY DISCLAIMS ANY REPRESENTATIONS ABOUT THE CONDITION, QUALITY, CAPACITY OR OTHER CHARACTERISTICS OF THE EQUIPMENT. This paragraph applies regardless of whether IMATION has paid or offered 3M any consideration for the use of the Equipment.

(D) IMATION will not alter any Equipment in any manner whatsoever without the prior written approval of 3M.

(E) The Equipment shall be used SOLELY AND EXCLUSIVELY for performing

contract manufacturing services for 3M under this Agreement and shall not be used for any other purpose whatsoever without the prior written approval of an officer of 3M.

(F) 3M may inspect the Equipment and Documentation at all reasonable times during normal business hours.

(G) During the time the Equipment is in IMATION's possession, IMATION at its own expense, shall:

- (1) service the Equipment regularly and maintain it in good operating condition at all times as specified by 3M;
- (2) establish and maintain a documented calibration program (when applicable) and preventive maintenance program for Equipment with verification of the calibration sent to 3M monthly. IMATION will not allow the Equipment to be misused or to deteriorate, ordinary wear and tear excepted; and
- (3) provide all routine repair and maintenance for the Equipment. Major or extraordinary maintenance costs incurred will be borne by 3M subject to 3M's prior written approval for IMATION to undertake such costs.

(H) 3M has full risk of loss and damage as to any Equipment and Documentation in IMATION's care, custody or control. 3M waives subrogation against IMATION for any loss or damage to any Equipment or Documentation in IMATION's care, custody or control.

(I) If for any reason IMATION is unable to continue to perform certain contract manufacturing services involving the use of some Equipment, IMATION shall notify 3M immediately and 3M shall have the right to peaceably enter IMATION's premises during normal business hours to remove the Equipment and Documentation, and IMATION expressly waives any rights or remedies IMATION may have with regard to 3M Equipment and Documentation, including but not limited to any right IMATION may have to notice and a hearing or to a bond, undertaking or surety before a writ of replevin, order of seizure or similar writ or order will issue or become enforceable.

(J) At the termination or expiration of this Agreement, IMATION shall return any and all Equipment and Documentation to 3M in the same condition as originally received or created by or for IMATION, loss, damage and reasonable wear and tear excepted. 3M shall pay the cost of tear down, crating and shipping of the Equipment and restoring the premises to their original condition at the time the Equipment was installed, reasonable wear and tear excepted. If for any reason IMATION fails to comply promptly with such a request, 3M shall have the right to peaceably enter IMATION's premises during normal business hours to remove the Equipment and Documentation and 3M may take all action permitted by law to immediately recover the Equipment and Documentation. IMATION will on

demand reimburse 3M for all actual and reasonable costs 3M incurs in recovering the Equipment and Documentation (including reasonable attorneys' fees and other expenses of litigation). IMATION expressly waives any rights or remedies IMATION may have with regard to the 3M Equipment and Documentation, including but not limited to any right IMATION may have to notice and a hearing or to a bond, undertaking, or surety before a writ of replevin, order of seizure, or similar writ or order will issue or become enforceable.

18. PLANT SAFETY.

(A) IMATION is solely responsible for the safe performance of all contract manufacturing services, and for the safety of (1) all IMATION's employees, agents, or delegates, (2) all employees, agents and delegates of IMATION's subcontractors, and (3) for all people who may be present at or in the vicinity of IMATION's plant.

(B) 3M may from time to time provide certain industrial hygiene and other safety-related information to IMATION. IMATION will not pay 3M for providing this information, and 3M will provide this type of information at IMATION's sole risk. IMATION agrees to continue to exercise its own independent judgment on industrial hygiene and safety issues. Neither 3M's providing of nor 3M's failure to provide the type of information covered by this paragraph in any way changes or limits IMATION's obligations under this Agreement or in any way changes or limits IMATION's obligation to perform contract manufacturing services safely.

(C) If any employee of IMATION, or of IMATION's subcontractors, agents or delegates, claims to have suffered or aggravated an injury while performing work on Equipment, IMATION will notify 3M of the claim as soon as IMATION becomes aware of it. Neither this paragraph nor 3M's receipt of any notice contemplated by this paragraph make 3M liable for any injury.

19. LIMITATION OF LIABILITIES; TIME LIMIT FOR FILING ACTION.

(A) EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN PARAGRAPH 21 (INDEMNIFICATION), NEITHER IMATION NOR 3M SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO EACH OTHER FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, REVENUE, OR BUSINESS) RESULTING FROM OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE TERMINATION, EXPIRATION, OR NONRENEWAL OF THIS AGREEMENT OR ARISING OUT OF OR ALLEGED TO HAVE ARISEN OUT OF BREACH OF THIS AGREEMENT OR BREACH OF ANY PRODUCT SPECIFICATION OR PURCHASE ORDER RELEASE ACCEPTED PURSUANT TO THIS AGREEMENT. This limitation applies regardless of whether such damages are sought based on breach of warranty, breach of Agreement, negligence, strict liability in tort, or any other legal theory. This limitation does not apply to claims for personal injury by a third party or infringement of intellectual property rights.

(B) ANY CLAIM FOR BREACH OF WARRANTY OR BREACH OF ANY OTHER OBLIGATION UNDER THIS AGREEMENT MUST BE COMMENCED WITHIN ONE (1) YEAR AFTER THE BREACH

OCCURS.

20. WASTE MATERIAL.

(A) IMATION will be responsible for the final and proper disposal of all waste material generated while performing contract manufacturing services (Waste). IMATION represents and warrants that it will properly package, label, store, transport, dispose of and otherwise handle Waste in accordance with all federal, state and local regulations and laws and in accordance with sound environmental practice.

(B) IMATION shall, at its sole cost and expense, apply for and obtain all permits required by all applicable laws, ordinances and regulations for the transportation, handling or disposal of those materials. IMATION shall maintain the permits for the duration of this Agreement.

21. INDEMNIFICATION.

(A) 3M agrees to indemnify, defend and hold harmless IMATION, its directors, officers, employees, agents and representatives from any and all claims, actions, demands, judgments, losses, costs, expenses, damages and liabilities (including but not limited to attorneys fees and other expenses of litigation) arising out of or connected with the services supplied under this Agreement or in any way related to this Agreement, regardless of the legal theory asserted. This indemnity applies to claims, actions and demands for which IMATION may be, or may be claimed to be, partially or solely liable. The parties agree that the indemnity stated in this Paragraph 21 should be construed and applied in favor of indemnification. The parties agree that this indemnity will not apply to claims between the parties arising out of or connected to this Agreement.

(B) If IMATION intends to claim indemnification under this Paragraph 21, IMATION will promptly notify 3M in writing of any claim, action or demand for which IMATION intends to claim indemnification. In addition, IMATION will promptly notify 3M in writing if IMATION elects to waive its right to have 3M defend the claim, action, or demand. If IMATION does not waive its right to have 3M defend the claim, action, or demand, IMATION agrees that 3M will control the defense of the claim, action, or demand. IMATION will cooperate fully with 3M and its legal representatives in the investigation and defense of any claim, action, or demand covered by this indemnification. IMATION will permit 3M to settle any claim, action, or demand and agrees that 3M will control the settlement, provided, however, that such settlement does not adversely affect IMATION's rights under this Agreement or impose any obligations on IMATION in addition to those stated in this Agreement. 3M, in the defense of any claims, actions or demands, will not consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to IMATION of a release from all liability with respect to the claim, action, or demand. No such claim, action, or demand will be settled by IMATION without the prior written consent of 3M.

22. INSURANCE.

(A) IMATION will obtain the following minimum insurance coverage, and maintain it at all times throughout the life of this Agreement.

- (1) Comprehensive General Liability Insurance or Commercial General Liability Insurance, to cover personal injuries, including death, and property damage.
- (2) Broad Form Contractual Liability insurance coverage as to IMATION's indemnity obligations.
- (3) Workers' Compensation and Employers' Liability Insurance or legally self-insured as required by law. The Employers' Liability Insurance must have a minimum limit of One Million Dollars (\$1,000,000.00) per accident. IMATION may satisfy this limit either with a single policy or with a primary policy plus an umbrella policy.

(B) IMATION will provide to 3M certificates of insurance no later than July 31, 1996 showing compliance with the insurance specifications. The certificates must state that the insurance cannot be canceled or changed without thirty (30) days advance notice to 3M. IMATION must keep the certificates current and must in any event file a new certificate each year while this Agreement is in effect. Neither 3M's failure to require or to insist upon certificates or other evidence of insurance, nor 3M's acceptance of a certificate or other evidence of insurance showing a variance from the specified coverage changes IMATION's obligation to maintain the required insurance.

(C) If IMATION does not provide the specified insurance, then IMATION will defend, indemnify and hold harmless 3M, and 3M's directors, officers, agents and employees to the extent necessary to afford the same protection as would have been provided by the specified insurance. The intent of this defense and indemnity obligation is to put 3M in the same position that 3M would have occupied if IMATION had maintained the required insurance.

(D) 3M does not in any way represent or warrant that the types or limits of insurance specified in Paragraph 22(A) adequately protect IMATION's interests or sufficiently cover IMATION's liability.

23. FORCE MAJEURE.

(A) If the performance of the services listed in any Exhibit or of any obligation under this Agreement is prevented, restricted or interfered with by reason of fire or earthquake or other casualty or accident; inability to procure raw materials, power or supplies (for reasons other than IMATION's negligence or

fault or failure to timely order); war or other violence; any law, order, proclamation, regulation, ordinance, demand or requirement of any government agency, court or intergovernmental body; or any other act or condition whatsoever beyond the reasonable control of the parties hereto, the party so affected, upon giving notice to the other party, shall be excused from such performance to the extent of such prevention, restriction or interference; provided that the party so affected shall use its best effort as to avoid or remove such causes of nonperformance and shall continue performance under this Agreement with the utmost dispatch whenever such causes are removed.

(B) If performance of the services listed in any Exhibit or of any obligation under this Agreement is prevented, restricted or interfered with for any reason set forth in this paragraph and such prevention, restriction or interference lasts for, or is expected to last for more than one hundred twenty (120) days, the party whose performance is not affected by the force majeure condition shall have the option of being excused, without further obligation, from performance of the Exhibit or from performance of the Agreement, whichever is applicable.

24. RELATIONSHIP OF PARTIES.

Neither party is an agent of the other party under this Agreement and has no authority to bind any other party, transact any business in any other party's name or on its behalf, or make any promises or representations on behalf of any other party. Each party makes this Agreement and will perform all of its respective obligations under this Agreement as an independent contractor, and no joint venture, partnership or other relationship shall be created or implied by this Agreement. The employees and agents of each party are NOT for any purpose the employees or agents of the other party.

25. NO UNAUTHORIZED DELEGATION OR ASSIGNMENT;
THIRD PARTY RIGHTS.

(A) Except as specifically authorized in a writing signed by a Vice President of 3M, IMATION will not delegate, assign or permit by merger, acquisition or change of corporate form any of its duties under this Agreement to be performed by anyone else. The decision as to whether to authorize any delegation, assignment or change in performance obligations is solely within 3M's discretion.

(B) The promises and obligations contained in this Agreement apply to, benefit and bind not only the parties but also their respective divisions, subsidiaries, assigns, delegates and successors in interest.

(C) Any assignment, delegation, or transfer of this Agreement or any interest therein without the written consent of the other party is void and cause for termination of this Agreement.

(D) NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO GRANT ANY PERSON OR

ENTITY NOT A PARTY HERETO ANY RIGHTS OR POWERS WHATSOEVER; AND NO PERSON OR ENTITY SHALL BE A THIRD PARTY BENEFICIARY OF THIS AGREEMENT.

26. SURVIVAL.

The rights and obligations of the parties hereto under Paragraph 13 [Warranties], 15 [Rights to Developments], 19 [Limitation of Liabilities; Time Limit for Filing Action], 20 [Waste Material] and 21 [Indemnification] shall survive any termination, cancellation or expiration of this Agreement. The obligations of the parties under Paragraph 14 [Confidential Information] shall survive for the period specified in Paragraph 14(D) (6).

27. DISPUTE RESOLUTION.

(A) The parties agree to resolve any questions, claims or disputes arising from or relating to this Agreement or its negotiation or termination by the following sequence of dispute resolution methods. Except as otherwise provided in Paragraph 27(K), these methods are exclusive and shall be fully exhausted before the commencement of any litigation.

(B) Initiation. A party seeking to initiate the procedures shall give written notice to the other party, describing briefly the nature of the dispute. A meeting shall be held between the parties within ten (10) days of the receipt of such notice, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

(C) Submission to Mediation; Cost of Mediation: If, at the conclusion of such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they agree to submit the dispute to mediation within thirty (30) days thereafter in accordance with the Center for Public Resources Model ADR Procedure - Mediation of Business Disputes, as modified herein, and to bear equally the costs of the mediation.

(D) Selection of Mediator. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the Center for Public Resources or another mutually agreed-upon organization if they are unable to agree upon such appointment within twenty (20) days from the conclusion of the negotiation period.

(E) Mediation And Arbitration.

(1) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session. If the parties are not successful in resolving the dispute through mediation by the end of such period, then the parties agree to submit the matter to binding arbitration in accordance with the

Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, as modified herein, by a sole arbitrator selected in accordance with the provisions of Paragraph 27(F). The arbitration proceeding shall be held in Minnesota, shall be governed by the United States Arbitration Act, 9 U.S.C. SS 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

- (2) Except as may be expressly provided in any other agreement between the parties, the parties obligation under this Paragraph 27 to submit disputes to binding arbitration in lieu of seeking judicial resolution of their disputes, shall expire on July 1, 2001.

(F) Selection of Arbitrator. The parties shall have ten (10) days from the end of the mediation period to agree upon a mutually acceptable neutral person not affiliated with either of the parties to act as arbitrator. If no arbitrator has been selected within such time, the parties agree to jointly request the Center for Public Resources or another mutually agreed-upon organization to supply within ten (10) days a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five (5) days of receipt of the list, the parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie will be broken by putting the names on slips of paper, mixing them up and one party drawing one slip of paper.

(G) Cost of Arbitration. The costs of arbitration shall be apportioned between the parties as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

(H) Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of one (1) year from written notice from one party to the other party identifying a dispute subject to arbitration under this Paragraph and requesting arbitration after having participated in negotiation and mediation under this Paragraph.

(I) Treatment of Negotiation and Mediation. All negotiations and mediations pursuant to this Paragraph shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable Minnesota Rules of Evidence.

(J) Confidentiality. All negotiation, mediation and arbitration proceedings under this Paragraph shall be treated as Confidential Information in accordance with Paragraph 14. Any mediator or arbitrator shall be bound by an agreement containing confidentiality provisions.

(K) Equitable Relief. Nothing herein shall preclude either party from taking whatever actions are necessary to prevent any immediate, irreparable harm to its interests, including multiple breaches of this Agreement by the other party. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Paragraph. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator.

28. GOVERNING LAW; CHOICE OF FORUM.

Any questions, claims, disputes, or litigation arising from or related to this Agreement are governed by the laws of Minnesota without regard to the principles of conflicts of law.

29. PARAGRAPH HEADINGS.

The title and headings of the various paragraphs of this Agreement are inserted for convenience of reference only and shall not be construed to affect the construction or interpretation of any of its provisions.

30. WAIVER.

Any failure or delay by either party in exercising any right or remedy in one or many instances will not prohibit a party from exercising it at a later time or from exercising any other right or remedy.

31. MODIFICATION.

No part of this Agreement may be waived, modified, or supplemented in any manner whatsoever (including a course of dealing or of performance or usage of trade) except by a written instrument signed by authorized officers of the parties.

32. NOTICES.

All notices shall be in writing and shall be deemed to have been given when received. Any notice to be given to 3M shall be addressed to:

Staff Vice President
3M Purchasing
3M Center, Bldg. 224-1N
St. Paul, Minnesota 55144-1000

with a copy to:

Division Vice President
[3M business unit listed on applicable Exhibit]
Minnesota Mining and Manufacturing Company
3M Center, Building _____
St. Paul, Minnesota 55144-1000

Any notice to IMATION shall be addressed to:

Vice-President
[Imation business unit listed on applicable Exhibit]
Imation Enterprises Corp.
1 Imation Place
Oakdale, Minnesota 55128

with a copy to:

General Counsel
Imation Legal Department
Bldg. 220-11W-01
I-94 & McKnight Road
St. Paul, MN 55144-1000

Any change in address shall be promptly communicated by either party to the other party.

33. AUTHORITY.

The undersigned represent and warrant that they are persons legally authorized to execute this Agreement on behalf of 3M and IMATION, respectively.

34. ENTIRE AGREEMENT.

This Agreement and the Exhibits referred to in this Agreement, which exhibits are incorporated and made a part of this Agreement by this reference, supersede and terminate any and all prior agreements, if any, whether written or oral, between the parties with respect to the subject matter contained herein. Each party agrees that it has not relied on any representation, warranty, or provisions not explicitly stated in this Agreement, and that no oral statement has been made to either party that in any way tends to waive any of the terms or conditions of this Agreement. THIS AGREEMENT IS INTENDED BY THE PARTIES TO BE A FINAL, COMPLETE AND EXCLUSIVE STATEMENT OF ALL TERMS AND CONDITIONS OF THE AGREEMENT.

The parties have signed this Agreement on the date indicated below.

MINNESOTA MINING AND
MANUFACTURING COMPANY (3M)

IMATION ENTERPRISES CORP. (IMATION)

By _____
Name (print) _____
Title _____
Date _____

By _____
Name (print) _____
Title _____
Date _____

IMATION TO 3M

CONTRACT MANUFACTURING SERVICE EXHIBIT

1. 3M Business Unit Requesting Service: _____

2. IMATION Business Unit Performing Service: _____

3. Effective Date: _____

4. Contract Manufacturing Service To Be Performed By IMATION:

5. Materials To Be Provided By 3M:

6. Other Things To Be Provided or Paid For By 3M:

7. Amount To Be Paid By 3M For Contract Manufacturing Service:

8. Special Conditions:

ACCEPTED AND AGREED TO:

IMATION ENTERPRISES CORP.

MINNESOTA MINING AND
MANUFACTURING COMPANY

By

By

Print Name

Title

Date

Print Name

Title

Date

SHARED FACILITIES LEASE AGREEMENT

THIS LEASE, Made this _____ day of _____ 19__, by and between MINNESOTA MINING AND MANUFACTURING COMPANY a corporation organized and existing under and by virtue of the laws of the State of Delaware, hereinafter called "Landlord" and IMATION CORP., a Delaware Corporation, hereinafter called "Tenant";

WITNESSETH:

ARTICLE 1. PREMISES Landlord for and in consideration of the rents and covenants hereinafter mentioned does hereby demise, lease and let unto Tenant and Tenant does hereby hire, lease and take from Landlord _____ situated at _____ (the "Premises"), as shown on Exhibit A attached.

ARTICLE 2. ACCESS Tenant is hereby granted access to the Premises through the main entrance of the building.

ARTICLE 3. TERM The term of this Lease shall be a two-year term to commence on July 1, 1996 and to expire on June 30, 1998. After the initial term, Tenant shall have the option to extend the term for _____ terms upon thirty (30) days prior written notice to Landlord.

If Tenant accepts possession on a day other than the first day of the month, Tenant shall occupy the Premises under the terms and provisions of this Lease and pay the prorata portion of the monthly rent for said month and the term of the Lease shall commence on the first day of the month following that in which possession is accepted. If Tenant holds over the expiration of the term, it is agreed that the tenancy shall be month-to-month under the same terms and conditions as this Lease.

Tenant shall have the right at any time during the term or any extension, upon sixty (60) days prior written notice to Landlord, to terminate occupancy in any or all portions of the Premises.

ARTICLE 4. RENTAL The monthly rental shall be a cost calculation determined on an activity or allocation basis, such as shown on Exhibit B. Monthly rent will be adjusted based on increases or decreases in the calculation.

ARTICLE 5. TAXES, UTILITIES, SERVICES AND EQUIPMENT Said rental payment shall include but not be limited to all real estate taxes and assessments, existing equipment and services as shown on Exhibit B as well as such other items as Controllers for Landlord and Tenant agree upon.

ARTICLE 6. ASSIGNMENT AND SUBLETTING Tenant shall have no right at any time to either assign or sublet any or all of the Premises without Landlord's prior

written consent, which Landlord shall have the right to withhold arbitrarily at its sole discretion.

ARTICLE 7. USE Tenant may use the Premises for office and administration purposes. Tenant will at its own expense comply with all statutes, ordinances, rules, orders and regulations of federal, state or local public authorities, provided compliance does not require a structural modification to the Premises.

ARTICLE 8. DAMAGE OR DESTRUCTION If all or a part of the Premises are rendered untenable by reason of damage or destruction caused by perils customarily covered under fire and extended coverage insurance, acts of God or any cause beyond the reasonable control of Tenant, this Lease shall, at the option of Tenant, terminate UNLESS (a) Landlord notifies Tenant within ten (10) days after notice from Tenant of the untenable condition of the Premises, of its intention to repair and restore the Premises to their former condition, and (b) such restoration is completed within one hundred twenty (120) days from the date Landlord receives notice of the untenable condition of the Premises. During the period of restoration, Tenant's rental obligation shall be abated proportionate to the time and the extent of the damage or destruction and the time during which and the extent to which the Premises have been untenable. In the event of termination, Landlord shall reimburse to Tenant any portion of rent paid representing the portion of the term subsequent to the date on which Premises were rendered untenable.

ARTICLE 9. SURRENDER Prior to the expiration or termination of this Lease Tenant will remove its equipment and trade fixtures, cap utilities and surrender possession of the Premises in broom clean condition. Tenant shall not be responsible for (a) Reasonable wear and tear, (b) Repairs and restoration to be made by Landlord as herein provided, and (c) Damage or destruction caused by perils customarily covered under fire and extended coverage insurance.

ARTICLE 10. MAINTENANCE AND REPAIR SERVICE The Landlord shall make all repairs in and to the building and Premises and to all equipment regardless of whether owned by Tenant or Landlord. In the event of breakdown or needed repairs to the building, Premises and equipment herein referred to, the Tenant shall notify the Landlord or its agent of such breakdown or needed repairs and the Landlord shall promptly cause such repairs and/or replacements to be made. All such notifications shall be made through Landlord's Plant Engineering Department. The cost of such repairs and maintenance shall be allocated as set forth in Article 4.

ARTICLE 11. SIGNS Any sign, lettering, decal or design of Tenant which is visible from the exterior of the Premises or located in any common area of the Premises shall be at Tenant's expense and subject to Landlord's written consent, which consent Landlord may grant or withhold in its reasonable discretion.

ARTICLE 12. ALTERATIONS Tenant shall have no right at any time to make any interior or exterior changes, additions or alterations to the Premises. Tenant shall request in writing to Landlord any changes, additions or alterations desired, which Landlord shall have the right to approve or disapprove in its sole discretion. Landlord shall make all approved alterations, additions or

changes and Tenant shall promptly reimburse Landlord for the cost.

ARTICLE 13. RIGHT OF ENTRY Tenant agrees to permit Landlord, its agents or employees, to enter the Premises at all reasonable times to make repairs, alterations and improvements or in cases of emergency.

ARTICLE 14. LIABILITY Landlord shall not be liable for any damage to property of Tenant or property of Tenant's employees, agents or invitees resulting from perils customarily covered by fire and extended coverage insurance, acts of God or any other cause beyond the reasonable control of Landlord. Tenant agrees to indemnify and save harmless Landlord from any liability, claim or demand which may arise from such damage to said property. Tenant shall not be responsible for any damage to or destruction of the Premises resulting from perils customarily covered by fire and extended coverage insurance.

ARTICLE 15. ENVIRONMENTAL MATTERS

a) Hazardous Waste and Special Waste. Landlord agrees to handle and dispose or treat hazardous waste and other wastes generated by Tenant operations. Tenant agrees to follow all federal, state and local rules and regulations and Landlord procedures and policies regarding the handling and storage of wastes and grants access to Landlord's personnel to gather and remove the wastes to appropriate storage locations. Charges for hazardous waste or other wastes generated in Tenant operations and treated at the Cottage Grove Incinerator will be paid by Tenant to the Incinerator.

b) Wastewater and Stormwater Permit. The parties agree that Tenant will discharge wastewater and stormwater in compliance with all Federal, state or local rules and all wastewater and stormwater permits issued to Landlord for the Premises, and in accordance with any of Landlord's internal procedures or policies. Tenant will reimburse Landlord for Tenant's proportional share of any wastewater or stormwater fee or tax, if paid by Landlord.

c) Air Permits. Tenant agrees to comply with any air permits covering Tenant operations, whether issued to Tenant or issued to Landlord and any of Landlord's procedures or policies regarding air emission sources. Tenant will reimburse Landlord for Tenant's proportional share of any air emission fee or tax if paid by Landlord.

d) Emergency Spill Notification. Tenant agrees to immediately notify Landlord's plant environmental personnel of any spill occurring on the Premises. Landlord agrees to make any required notifications to appropriate governmental agencies, on behalf of Tenant, of such spill upon notification by Tenant. Tenant shall remain responsible for the costs of cleanup and emergency response and for any penalties or fines resulting from such spill.

e) Emergency Response. Landlord will respond to emergency situations involving Tenant operations through use of its emergency response procedures. Any costs incurred in responding to such situations will be charged to Tenant at

actual cost.

ARTICLE 16. INDEMNIFICATION

a) Indemnification. Tenant shall indemnify, defend and hold harmless Landlord and its directors, officers, shareholders, employees and agents from any loss, damage, claim, liability and expense (including but not limited to reasonable attorneys' fees and expenses of litigation), whether based in contract, tort (including allegations of negligence on the part of Landlord, and strict liability) or otherwise, arising from or related to any Landlord act or omission in providing any service to Tenant hereunder which results in bodily injury, personal injury, death, or damage or loss as asserted by any third party (including any employees of Tenant). Additionally, Tenant shall reimburse Landlord and indemnify, defend and hold harmless Landlord and its directors, officers, shareholders, employees and agents from any loss, damage, claim, liability and expense (including but not limited to reasonable attorneys' fees and expenses of litigation), arising from or related to any Tenant act or omission connected with the provision of any service by Landlord or caused by any Tenant product, information, or waste provided to Landlord in connection with the services being provided by Landlord.

b) Construction. Tenant agrees that the indemnity provided in section a) above shall be interpreted and construed in favor of indemnification and if applicable law limits or precludes any aspect of this indemnity, then the indemnity will be limited only to the extent necessary to comply with such law.

c) Notice. If a claim arises within the scope of this indemnity, Landlord agrees to promptly notify Tenant of any such claims. Tenant shall at its sole expense defend, with counsel reasonably acceptable to Landlord, all claims, suits or proceedings arising from an indemnified claim. Landlord agrees to give Tenant full and complete authority, information and assistance for the defense of any indemnified claim, suit or proceeding provided, however that Tenant shall have no authority to enter into any settlement or compromise on behalf of Landlord without the prior written consent of Landlord. In all events, Landlord shall have the right to participate in the defense of any proceedings with counsel of its own choosing at its own expense.

ARTICLE 17. DISCLAIMER AND LIMITATION OF LIABILITY (A) EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE, LANDLORD MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES TO BE PROVIDED UNDER THIS LEASE. In the event of any performance or non-performance under this Lease which results in direct damages to Tenant, Landlord's maximum, cumulative and sole liability to Tenant for such direct damages shall be an amount up to the rent paid by Tenant to Landlord (as of the date of the performance or non-performance giving rise to the damage) during the term of this Lease for the specific service set forth in this Lease which resulted in direct damages to Tenant. Tenant acknowledges that such payment constitutes fair and reasonable compensation for any direct damages. Notice of any claim for direct damages must be made within two years of the date of termination or expiration of the service which gave rise to the claim and such claim must specify the damage amount claimed and a description of the action and the service giving rise to the

claim.

(b) NEITHER PARTY SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS OR REVENUE) RESULTING OR ARISING FROM THIS LEASE AGREEMENT, ANY PERFORMANCE OR NONPERFORMANCE UNDER THIS LEASE AGREEMENT OR TERMINATION OF THIS LEASE AGREEMENT. THIS LIMITATION APPLIES REGARDLESS OF WHETHER THE DAMAGES OR OTHER RELIEF ARE SOUGHT BASED ON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN TORT, OR ANY OTHER LEGAL OR EQUITABLE THEORY.

ARTICLE 18. DEFAULT If Tenant defaults in the payment of the rent or in the due performance of any of the other conditions or covenants contained in this Lease or if Tenant is adjudicated bankrupt or shall make an assignment for the benefit of creditors, Landlord in addition to any and all other rights hereunder or as provided by law shall have the right at any time during the existence of such fault or condition to (a) terminate this Lease and re-enter the Premises and repossess and enjoy the same or (b) re-enter the Premises and from time to time relet the same or portions thereof as agent of Tenant and receive the rent therefor, applying such rent first to the payment of the resulting expenses and then to the payment of the rent accruing hereunder. Tenant will receive the balance if any and will remain liable for any deficiency. Notwithstanding the foregoing, no default shall exist under the terms of this Lease until Landlord shall have given Tenant a thirty (30) days' written notice of the default and Tenant shall have failed or neglected throughout the said thirty (30) day period to remedy such default or condition.

ARTICLE 19. LANDLORD'S WARRANTY Landlord warrants and covenants that it is lawfully in possession of the Premises and has good right and authority to lease the same and that upon Tenant's paying the rents and performing the covenants as herein provided it shall and may peaceably and quietly have, hold and enjoy the Premises for the term or terms herein provided and Landlord will defend such holding and enjoyment.

ARTICLE 20. RULES AND REGULATIONS Tenant agrees to comply with Landlord's rules and regulations for the Premises and the site as they may be amended from time to time.

ARTICLE 21. SUCCESSORS AND ASSIGNS The covenants and agreements contained in this Agreement shall apply to, inure to the benefit of and be binding upon the Landlord and Tenant and upon their respective successors in interest and assigns.

ARTICLE 22. WAIVER Any failure or neglect by either party to assert or enforce any rights or remedies because of any breach or default by the others hereunder shall not prejudice or affect their respective rights or remedies with respect to any subsequent breach or default.

IN TESTIMONY WHEREOF, The parties hereto have signed this Lease the day and year first above written.

Landlord:

MINNESOTA MINING AND
MANUFACTURING COMPANY

By: _____

Title: _____

Tenant:

IMATION CORP.

By: _____

Title: _____

EMPLOYMENT AGREEMENT

AGREEMENT by and between William T. Monahan (the "Executive") and Imation Corp., a Minnesota corporation (the "Company"), effective as of the effective date (the "Effective Date") of the distribution by Minnesota Mining and Manufacturing Company ("3M") to its stockholders of shares of common stock of the Company.

WHEREAS, the Board of Directors of the Company (the "Board") desires that the Company employ the Executive and the Executive desires to furnish services to the Company on the terms and conditions hereinafter set forth; and

WHEREAS, the parties desire to enter into this agreement setting forth the terms and conditions of the employment relationship of the Executive with the Company;

NOW, THEREFORE, in consideration of the premises and the mutual agreements set forth below, the parties hereby agree as follows:

1. Employment. The Company hereby agrees to employ the Executive, and the Executive hereby accepts such employment, on the terms and conditions hereinafter set forth.

2. Employment Period. The initial period of employment of the Executive by the Company hereunder shall commence as of the Effective Date and shall end on the fourth anniversary of the Effective Date or the Date of Termination (as determined pursuant to Section 6 below), if earlier (the "Employment Period"), which Employment Period shall automatically be extended for one additional year, commencing on the second anniversary of the Effective Date and each anniversary thereof thereafter (provided that the Executive's employment has not previously terminated pursuant to the terms of this Agreement), unless, not later than ninety (90) days prior to such anniversary date, the Company or the Executive shall have given notice not to extend the Employment Period.

3. Position and Duties. During the Employment Period, the Executive shall serve as Chief Executive Officer of the Company. During the Employment Period, subject to the supervisory powers of the Board, the Executive shall have those powers and duties consistent with his position as Chief Executive Officer of the Company as may be prescribed by the Board. During the Employment Period, the Executive agrees to devote substantially all his working time, attention and energies during normal business hours to the performance of his duties for the Company, and shall comply with all general policies of the Company relating to conduct by officers and employees that have been communicated to the Executive in writing. Anything herein to the contrary notwithstanding, subject to Section 10(c) hereof, nothing shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations,

(ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs, provided that such activities do not interfere with the proper performance of his duties and responsibilities hereunder.

The Company shall use its best efforts to have the Executive elected to and continue to serve on the Board of Directors of the Company (the "Board") during the Employment Period. The Executive agrees that, upon the termination of the Executive's employment for any reason, he will resign from the Board and the board of directors of any subsidiary of the Company and any directorship held by reason of his employment with the Company or any of its subsidiaries, effective as of the Date of Termination (as determined pursuant to Section 6 hereof).

4. Place of Performance. The principal place of employment of the Executive shall be at the Company's principal executive offices in the metropolitan St. Paul, Minnesota area, or such other location as may be agreed to by the Board and the Executive.

5. Compensation and Related Matters.

(a) Base Salary. As compensation for the performance by the Executive of his duties hereunder, during the Employment Period, the Company shall pay the Executive a base salary at an annual rate not less than the rate in effect as of the Effective Date (the base salary, at the rate in effect from time to time, is hereinafter referred to as the "Base Salary"). The Base Salary shall be payable in accordance with the Company's normal payroll practices, shall be reviewed annually and may be increased upon such review.

(b) Incentive Compensation. During the Employment Period, the Executive shall be eligible to participate in the Company's annual incentive compensation program (the "Incentive Program") and shall receive such annual incentive compensation in such amounts and on such terms as shall be determined from time to time by the Compensation Committee of the Board. Payments of annual incentive compensation made to the Executive, whether or not pursuant to the Incentive Program, shall be hereinafter referred to as "Incentive Compensation."

(c) Expenses. During the Employment Period, the Company shall reimburse the Executive for all reasonable business expenses upon the presentation of records of such expenses, in accordance with the applicable policies and procedures of the Company then in force.

(d) Vacation. The Executive shall be entitled to vacation during the Employment Period in accordance with policies applicable generally to senior executives of the Company.

(e) Other Benefits. During the Employment Period, the Executive shall be eligible to participate in all employee benefit, retirement, welfare and incentive compensation plans and programs (including group life insurance, medical and dental insurance, and accident and disability insurance) in which other senior executives of the Company are generally eligible to participate.

6. Termination. The Executive's employment hereunder, as the case may be, may be terminated as follows:

(a) Death. The Executive's employment shall terminate upon his death, and the date of his death shall be the Date of Termination.

(b) Disability. If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties hereunder on a full-time basis for the entire period of six consecutive months (which incapacity is determined by a medical doctor mutually agreed to be the Executive and the Company), and, within thirty (30) days after written Notice of Termination (as defined in Section 6(f) hereof) is given, shall not have returned to the performance of his duties hereunder on a full-time basis ("Disability"), the Company may terminate the Executive's employment hereunder. In this event, the Date of Termination shall be thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the performance of his duties on a full-time basis during such thirty-day period).

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder:

(i) upon the Executive's conviction for the commission of a felony;

(ii) if, in carrying out his duties hereunder, the Executive engages in conduct that constitutes willful gross misconduct or willful gross neglect resulting in material harm to the Company; or

(iii) upon the Executive's material breach of the Executive's obligations under Section 10 hereof;

provided, however, that Cause shall not exist unless and until the Company has delivered to the Executive a written Notice of Termination that specifically identifies the events, actions, or non-actions, as applicable, that the Company believes constitute Cause hereunder and the Executive has been provided with an opportunity to be heard (which shall include an opportunity to address the Compensation Committee of the Board in writing) within fifteen (15) days after the delivery of such notice. In the event of Cause, the Date of Termination shall be the date specified in the Notice of Termination.

(d) Good Reason. The Executive may terminate his employment hereunder within sixty (60) days after the occurrence of one or more of the following events, without the written consent of the Executive, that has not been cured within fifteen (15) business days after written notice thereof has been given by the Executive to the Company ("Good Reason"):

(i) a reduction in the Executive's then current Base Salary, Incentive Compensation opportunity or the

termination or material reduction of any employee benefit set forth in Section 5(f) hereof (other than a reduction in benefits as part of an across-the-board reduction similarly affecting other senior executive officers of the Company);

(ii) a material diminution in the Executive's duties, assignment of duties (including reduction of duties) which are materially inconsistent with the Executive's position or, the appointment of anyone else to an executive position at the Company senior to that of the Executive;

(iii) during the Employment Period, the relocation of the Executive's office location as assigned to him by the Company, without his written consent, to a location more than 50 miles from the metropolitan St. Paul, Minnesota area;

(iv) a material breach by the Company of this Agreement; or

(v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 45 days after a merger, consolidation, sale or similar transaction;

The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. In the event of a termination for Good Reason, the Date of Termination shall be the date specified in the Notice of Termination, which shall be no more than thirty (30) days after the Notice of Termination.

(e) Other Terminations. If the Executive's employment is terminated hereunder for any reason other than as set forth in Sections 6(a) through 6(d) hereof, the date on which a Notice of Termination is given or any later date (within 30 days) set forth in such Notice of Termination shall be the Date of Termination.

(f) Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive (other than termination pursuant to Section 6(a) hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

7. Compensation Upon Termination or During Disability.

(a) Disability Period. During any period during the Employment Period that the Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness ("Disability Period"), the Executive shall continue to (i) receive his full Base Salary, (ii) remain eligible to receive Incentive Compensation under Section 5(b) hereof and equity-based awards under Section 5(c) hereof, and (iii) participate in the programs described in Section 5(f) hereof (except to the extent such participation is not permitted under the terms of such programs). Such payments made to the Executive during the Disability Period shall be reduced by the sum of the amounts, if any, payable to the Executive at or prior to the time of any such payment under disability benefit plans of the Company or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment.

(b) Death. If the Executive's employment hereunder is terminated as a result of death, then:

(i) the Company shall pay the Executive's estate or designated beneficiary, as soon as practicable after the Date of Termination, any amounts earned, accrued or owing the Executive hereunder for services prior to the Date of Termination;

(ii) the Company shall pay the Executive's estate or designated beneficiary, in accordance with the Company's normal payroll practice, an amount equal to the Executive's Base Salary for a period of one year following the Date of Termination;

(iii) the Company shall pay the Executive's estate or designated beneficiary, at the time it would otherwise have been payable, Incentive Compensation for the year in which the Date of Termination occurs, prorated based upon the number of days during such year or period that the Executive was employed by the Company;

(iv) vesting, exercisability and expiration of all Options and other equity-based awards shall be determined pursuant to the terms of the applicable grants and the underlying plan; and

(v) the Company shall have no additional obligations to the Executive under this Agreement except to the extent otherwise provided in the applicable plans and programs of the Company.

(c) Disability. If the Executive's employment hereunder is terminated as a result of Disability, then:

(i) the Company shall pay the Executive, as soon as practicable after the Date of Termination, any amounts

earned, accrued or owing the Executive hereunder for services prior to the Date of Termination;

(ii) the Company shall pay the Executive, at the time it would otherwise have been payable, Incentive Compensation for the year in which the Date of Termination occurs, prorated based upon the number of days during such year or period the Executive was employed by the Company;

(iii) vesting, exercisability and expiration of all Options and other equity-based awards shall be determined pursuant to the terms of the applicable grants and the underlying plan;

(iv) the Company shall have no additional obligations to the Executive under this Agreement except to the extent otherwise provided in the applicable plans and programs of the Company (including any Company long-term disability plan).

(d) Cause or By Executive other than for Good Reason. If the Executive's employment hereunder is terminated by the Company for Cause or by the Executive, other than for Good Reason, then:

(i) the Company shall pay the Executive, as soon as practicable after the Date of Termination, any amounts earned, accrued or owing the Executive hereunder for services prior to the Date of Termination; and

(ii) the Company shall have no additional obligations to the Executive under this Agreement except to the extent otherwise provided in the applicable plans and programs of the Company.

(e) Termination by Company without Cause or by the Executive with Good Reason. If the Executive's employment hereunder is terminated by the Company (other than for Cause or Disability) or by the Executive for Good Reason, then:

(i) the Company shall pay the Executive, as soon as practicable after the Date of Termination, any amounts earned, accrued or owing the Executive hereunder for services prior to the Date of Termination;

(ii) subject to the Executive's continued compliance with the provisions of Section 10 hereof, the Company shall pay the Executive, at the time it would otherwise have been payable, Incentive Compensation for the year in which the Date of Termination occurs, prorated based upon the number of days during such year or period the Executive was employed by the Company;

(iii) subject to the Executive's continued compliance with the provisions of Section 10 hereof, the Company shall pay to the Executive over a period equal to the remainder of the Employment Period (determined immediately prior to the Date of Termination without any further extensions) (the "Salary Continuation Period"), and in accordance with the Company's payroll practices, an aggregate annual amount equal to the sum of (A) the Executive's Base Salary (at the annualized rate in effect at the time Notice of Termination is given) and (B) the Executive's average annual Incentive Compensation with respect to the three full calendar years immediately preceding the Date of Termination (including, if applicable, annual incentive awards received from 3M for any years within the applicable three-year period);

(iv) all equity-based awards previously granted to the Executive shall become fully vested and, with respect to the Options, fully exercisable, as of the Date of Termination, and shall remain exercisable pursuant to the terms of the applicable Option grants;

(v) subject to the Executive's continued compliance with the provisions of Section 10 hereof, during the Salary Continuation Period, the Executive shall continue to participate in all employee welfare benefit plans and programs in which the Executive was entitled to participate immediately prior to the Date of Termination in accordance with the terms of such plans and programs as in effect from time to time, provided that the Executive's continued participation is permitted under the general terms and provisions of such plans and programs. In the event that the Executive's participation in any such plan or program is barred, the Company shall arrange to provide the Executive and his dependents with benefits substantially similar to those which the Executive and his dependents would otherwise have been entitled to receive under such plans and programs from which their continued participation is barred. Benefits otherwise receivable by the Executive pursuant to this Section 7(e) (v) shall be reduced to the extent comparable benefits are actually received by or made available to the Executive without cost during the Salary Continuation Period (and any such benefits actually received by or made available to the Executive shall be reported to the Company by the Executive);

(vi) subject to the Executive's continued compliance with the provisions of Section 10 hereof, during the Salary Continuation Period, Executive shall be credited with continued service for purposes of computing the aggregate benefit earned by the Executive under any defined benefit

pension plans maintained by the Company. To the extent such service cannot be recognized pursuant to the terms of any such pension plan, the Executive shall receive a lump sum payment equal to the present value of the additional benefits which he would have been entitled to receive under such pension plan had he remained an employee for the remainder of the Salary Continuation Period at the Base Salary and Incentive Compensation levels taken into account under clause (iii) above; and

(vii) the Company shall have no additional obligations to the Executive under this Agreement except to the extent otherwise provided in the applicable plans and programs of the Company.

8. Gross-Up for Excise Tax. In the event that the Executive becomes entitled to the payments or benefits pursuant to Section 7 of this Agreement (the "Severance Payments"), if any of the Severance Payments will be subject to the excise tax (the "Excise Tax") under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay to the Executive, within five (5) days following the Date of Termination or as soon thereafter as practicable, an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Severance Payments and any federal, state and local income tax, employment tax and Excise Tax upon the payment provided for by this Section 8, shall be equal to the Severance Payments. The determination of whether an Excise Tax is due, the amount of the Excise Tax and the amount of the Gross-Up Payment shall be made by an independent auditor (the "Auditor") jointly selected by the Company and the Executive and paid by the Company. If the Executive and the Company cannot agree on the firm to serve as the Auditor, then the Executive and the Company shall each select one nationally recognized accounting firm and those two firms shall jointly select the nationally recognized accounting firm to serve as the Auditor.

9. Mitigation. The Executive shall not be required to mitigate amounts payable pursuant to Section 7 hereof by seeking other employment or otherwise, nor, except as otherwise provided in Section 7(e)(v) hereof, shall there be any offset against such payments on account of (a) any remuneration attributable to any subsequent employment that he may obtain or (b) any claims the Company may have against the Executive.

10. Confidential Information, Removal of Documents, Non-Competition.

(a) Confidential Information. During and after the Employment Period, the Executive shall hold in a fiduciary capacity for the benefit of the Company all trade secrets, confidential information, and knowledge or data relating to the Company and the businesses and investments of the Company, which shall have been obtained by the Executive during the Executive's employment by the Company and which shall not have been or now or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except as may be required or

appropriate in connection with his carrying out his duties under this Agreement, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such trade secrets, information, knowledge or data to anyone other than the Company and those designated by the Company.

(b) Removal of Documents. All records, files, drawings, documents, models, equipment, and the like relating to the business of the Company, which the Executive prepares, uses or comes into contact with shall not be removed by the Executive from the premises of the Company (without the written consent of the Company) during or after the Employment Period unless such removal shall be required or appropriate in connection with his carrying out his duties under this Agreement, and, if so removed by the Executive, shall be returned to the Company immediately upon termination of the Executive's employment hereunder.

(c) Non-Competition. During (i) the Executive's employment with the Company, (ii) in case of termination by the Company for Cause or by the Executive without Good Reason, the one (1)-year period after the Executive's Date of Termination, and (iii) in case of termination by the Company (other than for Cause or Disability) or termination by the Executive for Good Reason, the Salary Continuation Period, the Executive (A) shall not engage, anywhere within the geographical areas in which the Company has conducted its business operations or provided services as of the date hereof or at any time prior to the Date of Termination, directly or indirectly, alone, in association with or as a shareholder, principal, agent, partner, officer, director, employee or consultant of any other organization, in any business (a "Competitive Business") which is in competition with the information processing, management and storage applications, information printing applications, medical and photo imaging applications or information processor service applications businesses of the Company; provided, however, that nothing herein shall preclude the Executive from so engaging in that portion of the business of any enterprise which does not constitute a Competitive Business; (B) shall not solicit or encourage any officer, employee or consultant of the Company to leave the employ of the Company for employment by or with any other employer; (C) shall not divert to any Competitive Business any customer of the Company; and (D) shall not disparage the Company or any employee, director or officer of the Company. If, at any time, the provisions of this Section 10(c) shall be determined to be invalid or unenforceable, by reason of being vague or unreasonable as to area, duration or scope of activity, this Section 10(c) shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter; and the Executive agrees that this Section 10(c) as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(d) Remedies. In the event of a breach or threatened breach of this Section 10, the Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Executive acknowledging that damages would be inadequate and insufficient. In addition, in the event of any breach of Section

10 by the Executive after the Date of Termination, the Company's obligations to the Executive under clauses (ii), (iii), (iv) and (vi) of Section 7(e) hereof shall immediately cease and the Company shall have no further obligation to the Executive under this Agreement.

(e) Continuing Operation. Any termination of the Executive's employment or of this Agreement shall have no effect on the continuing operation of this Section 10.

11. Successors; Binding Agreement.

(a) Company's Successors. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the business and/or assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the business and/or assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company will require any such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 11 or which otherwise becomes bound by all the terms and provisions of this Agreement or by operation of law.

(b) Executive's Successors. This Agreement shall not be assignable by the Executive. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Upon the Executive's death, all amounts to which he is entitled hereunder, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

12. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

William T. Monahan
2373 Cochrane Drive
Woodbury, Minnesota 55125

If to the Company:

Imation Corp.
One Imation Place
Oakdale, Minnesota 55128
Attention: General Counsel

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. Miscellaneous. No provisions of this Agreement may be modified unless such modification is agreed to in writing signed by the Executive and such officer of the Company as may be specifically designated for the Company by the Board. Any waiver or discharge must be in writing and signed by the Executive or such an authorized officer of the Company, as the case may be. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota without regard to its conflicts of law principles.

14. Withholding. Any payments provided for in this Agreement shall be paid net of any applicable withholding required under federal, state or local law.

15. Arbitration. Except as otherwise provided herein, all controversies, claims or disputes arising out of or related to this Agreement shall be settled under the rules of the American Arbitration Association then in effect in the City of Saint Paul, in the State of Minnesota, as the sole and exclusive remedy of either party, and judgment upon such award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction.

16. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. Entire Agreement. This Agreement between the Company and the Executive sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by the parties hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and

cancelled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on this ____ day of _____, 1996, to be effective as of the date first above written.

IMATION CORP.

By: _____
Name: _____
Title: _____

William T. Monahan

IMATION 1996 EMPLOYEE
STOCK INCENTIVE PROGRAM

SECTION 1 PURPOSE

The purpose of this program is to provide a strong incentive for employees to remain with Imation and to exert added effort toward its growth and success by affording these employees an opportunity to acquire or receive shares of Imation's common stock on terms which are mutually advantageous to the employee and Imation. It will be the policy of Imation to encourage employee participation as stockholders, and Imation believes that employee stock ownership will be an important factor contributing to its growth and progress.

It is intended that the 1996 Employee Stock Incentive Program may provide for the granting to participants of: (1) stock options, either Incentive Stock Options as defined in section 422 of the Internal Revenue Code of 1986, as amended from time to time, or options not so qualified under the foregoing or similar tax provisions; (2) stock appreciation rights; (3) restricted stock grants; and (4) other stock awards.

SECTION 2 DEFINITIONS

(a) "Agreement" shall mean the agreement entered into between Imation and a Participant at the time of the grant of any rights under the 1996 Program, or other written evidence issued by Imation to the Participant.

(b) "Anniversary Date" shall be the date one year after the Date the Option is Granted to a Participant.

(c) "Board of Directors" shall mean the Board of Directors of Imation Corp.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" shall mean the Compensation Committee established by the Board of Directors acting without the participation of any member who may have received a grant or award under the 1996 Program or any other similar plan or program of Imation (except those limited to participation by non-employee directors) during the previous one year period, or such other committee of disinterested administrators established by the Board of Directors to comply with Rule 16b-3 promulgated by the Securities and Exchange Commission, as amended from time to time, and section 162(m) of the Code.

(f) "Common Stock" shall mean the common stock, with par value \$.01 per

share, of Imation Corp.

(g) "Conditions" shall mean the condition that the Restricted Period stipulated by the Committee at the time of grants of Restricted Stock shall have expired or terminated and that any other conditions prescribed by the Committee regarding a Participant's continued employment by Imation or Imation's performance during the Restricted Period shall have been satisfied, or any other conditions stipulated by the Committee with respect to Stock Awards.

(h) "Imation" shall mean Imation Corp. and such subsidiaries or affiliates as may be designated by the Board of Directors from time to time.

(i) "Date the Option is Granted" shall mean the effective date of the Agreement.

(j) "Dividend Equivalents" shall mean that sum of cash or Common Stock of equivalent value equal to the amount of cash or stock dividends paid upon Common Stock subject to any grants or awards under the 1996 Program, prior to such time as the Participant otherwise becomes entitled thereto as a holder of record.

(k) "Fair Market Value" shall mean the average of the high and low prices for Common Stock as reported on the New York Stock Exchange Composite Transactions, rounded upwards to the nearest \$0.05.

(l) "Incentive Stock Option" shall mean an Option granted to a Participant under the 1996 Program which is properly qualified under the provisions of section 422 of the Code of 1986, as amended from time to time and in effect at the date of the grant.

(m) "Nonqualified Option" shall mean an Option granted to a Participant under the 1996 Program which is not an Incentive Stock Option or otherwise qualified under similar tax provisions.

(n) "Option" shall mean a Participant's right to purchase the number of shares of Common Stock designated in the Agreement, subject to the terms and conditions of the 1996 Program and Agreement, and the term shall include both Incentive Stock Options and Nonqualified Options.

(o) "Option Period" shall mean the shorter of (i) the ten-year period commencing with the Date the Option is Granted, or (ii) the period commencing with the Date the Option is Granted and terminating pursuant to Section 10 hereof.

(p) "Participant" shall mean any employee of Imation who is designated as a Participant by the Committee.

(q) "1996 Program" shall mean the Imation Corp. 1996 Employee Stock Incentive Program.

(r) "Program Effective Date" shall mean the date fixed by the Board of

Directors upon which the 1996 Program becomes effective after approval by 3M, as sole stockholder of Imation.

(s) "Restricted Period" shall mean that period of time determined by the Committee and provided in the applicable Conditions stated in the Restricted Stock Agreement of a Participant regarding the incremental or complete lapse of the restrictions.

(t) "Restricted Stock" shall mean that Common Stock granted to a Participant in a Restricted Stock Agreement and subject to the Conditions, as so determined by the Committee, during the Restricted Period of the grant.

(u) "Retirement Date" shall be the date a Participant retires from employment with Imation, pursuant to any pension plan of Imation.

(v) "Stock Appreciation Right" shall mean a Participant's right to receive an amount of cash or shares of Common Stock measured by the appreciation in the Fair Market Value of the Common Stock to which the right relates on the date of exercise above the Fair Market Value of such Common Stock on the date of the initial grant.

(w) "Stock Award" shall mean any award of Common Stock under the Program and may include Restricted Stock awards or other awards of Common Stock as determined to be appropriate by the Committee.

SECTION 3 PARTICIPATION

(a) The Committee shall determine and designate from time to time those employees of Imation who are to be granted Options, Stock Appreciation Rights, and/or Stock Awards and thereby become Participants and the number of shares to be the subject of the grant to each Participant.

(b) The maximum number of shares of Common Stock which may be made subject to Option or Stock Appreciation Right grants with regard to any one Participant under the 1996 Program (including Progressive Stock Options granted to such Participant pursuant to Section 4(e)) shall not exceed in the aggregate 1,000,000 shares, subject to adjustment pursuant to Section 13.

SECTION 4 OPTIONS

(a) Options granted by the Committee shall be designated as Incentive Stock Options or Nonqualified Options and shall be evidenced by Agreements in such forms as the Committee shall approve, which Agreements shall comply with and be subject to the terms and conditions of the 1996 Program.

(b) Incentive Stock Options granted from time to time hereunder shall have a purchase price equal to one hundred percent (100%) of the Fair Market Value of Common Stock on the Date the Option is Granted. Nonqualified Options may have a purchase price equal to or more or less than one hundred percent

(100%) of Fair Market Value, as determined by and at the sole discretion of the Committee, provided that such purchase price shall be clearly set forth in the Agreement presented to the Participant.

(c) Exercise. A Participant may purchase the total number of shares under option after the Anniversary Date or at such other date as determined by the Committee and clearly set forth in the Agreement, except that Progressive Stock Options may be exercised six months after the date of grant. This right to purchase may be exercised as to any shares not previously purchased during the remainder of the Option Period. In order to exercise an Option, a Participant shall give written notice to the Office of the Treasurer at Oakdale, Minnesota, together with full payment. The exercise of Nonqualified Options may be made subject to such additional conditions and restrictions as the Committee, in its sole discretion, shall determine. Such restrictions, if any, will be clearly set forth in the Agreement applicable to such Nonqualified Options.

(d) Payment. No shares of Common Stock shall be issued to any Participant upon exercise of an Option until full payment of the purchase price has been made to Imation and the Participant has remitted to Imation the required federal and state withholding taxes, if any. A Participant shall obtain no rights as a stockholder until certificates for such stock are issued to the Participant. Payment of the purchase price or applicable withholding taxes, if any, may be made in whole, or in part, in shares of Common Stock, pursuant to such terms and conditions as may be established from time to time by the Committee. If payment is made in shares of Common Stock, such stock shall be valued at one hundred percent (100%) of Fair Market Value on the day a Participant exercised his or her Option or, as regards a withholding tax, such other date when the tax withholding obligation becomes due. A Participant need not surrender shares of Common Stock as payment; and Imation may, upon the giving of satisfactory evidence of ownership of said Common Stock by Participant, deliver the appropriate number of additional shares of Common Stock reduced by the number of shares required to pay the purchase price and any applicable withholding taxes. Such form of evidence shall be determined by the Committee.

(e) Progressive Stock Options. For the purpose of promoting the retention of Common Stock received upon the exercise of Nonqualified Options and encouraging Participants to exercise Nonqualified Options early in the Option Period, the Committee may, in its sole discretion, grant Nonqualified Options ("Progressive Stock Options") to a Participant who exercises Nonqualified Options and makes payment of all or part of the purchase price and withholding taxes, if any, in Common Stock, equal in number to shares of Common Stock utilized by the Participant to effect payment of the purchase price and withholding taxes, if any. Progressive Stock Options, if granted by the Committee, will have a purchase price equal to one hundred percent (100%) of the Fair Market Value on the date of exercise of Nonqualified Options and will be exercisable no sooner than six months from the date of grant and for an additional time period expiring at the end of the Option Period of the Nonqualified Option exercised. Notwithstanding the foregoing, the Committee may grant Nonqualified Options in any manner provided in this Section 4, and Participants will have no rights to receive Nonqualified Options or Progressive

Stock Options, except to the extent determined by the Committee in its sole discretion.

SECTION 5 STOCK APPRECIATION RIGHTS

(a) Stock Appreciation Rights granted by the Committee shall be evidenced by Agreements in such forms as the Committee shall approve, which Agreement shall comply with and be subject to the terms and conditions of the 1996 Program.

(b) Exercise. Stock Appreciation Rights shall be exercisable at such time or times consistent with the terms and conditions determined by the Committee and set forth in the Agreement presented to the Participant. No Stock Appreciation Right shall, in any event, be exercisable during the first six months from the date of grant of such Stock Appreciation Right, except as provided in Section 10 of this 1996 Program. In order to exercise his or her Stock Appreciation Right, a Participant shall give written notice to the Office of the Treasurer, at Oakdale, Minnesota.

(c) Term. The term of a Stock Appreciation Right shall be fixed by the Committee and set forth in the Agreement evidencing the Stock Appreciation Right, but no Stock Appreciation Right shall be exercisable more than ten years after the date of grant.

SECTION 6 RESTRICTED STOCK

(a) Restricted Stock granted by the Committee shall be designated as such and shall be evidenced by Agreements in such forms as the Committee shall approve, which Agreements shall comply with and be subject to the terms and conditions of this 1996 Program.

(b) Restricted Stock, in addition to the Conditions stated and determined by the Committee in the Agreement, may or may not have a stated purchase price. The purchase price determined by the Committee, in its sole discretion, if any, shall be clearly set forth in the Agreement presented to a Participant, along with any and all other applicable Conditions.

(c) If the Committee shall fix a purchase price for Restricted Stock in addition to other Conditions therefor, no shares of Common Stock shall be issued upon the satisfaction of Conditions until full payment has been made to Imation as provided in the foregoing paragraph (d) of Section 4, subject to such restrictions regarding payments in shares of Common Stock as the Committee may determine from time to time. Similarly, any applicable withholding taxes may be paid upon the lapse of restrictions upon Restricted Stock by the withholding of shares of Common Stock otherwise deliverable, in accordance with the valuation procedures set forth in Section 4(d) of this 1996 Program.

(d) At the time a grant of Restricted Stock is made, the Committee, in its sole discretion, shall establish a Restricted Period and such additional

Conditions as may be deemed appropriate for the incremental lapse or complete lapse of restrictions with respect to all or any portion of the shares of Common Stock represented by the Restricted Stock. The Committee may also, in its sole discretion, shorten or terminate the Restricted Period or waive any Conditions with respect to all or any portion of the shares of Common Stock represented by the Restricted Stock. Notwithstanding the foregoing, all restrictions set forth in the Conditions shall lapse or terminate with respect to all Common Stock represented in the grant of Restricted Stock in the event of the death or total disability of a Participant (as defined in Section 10 below) or the occurrence of a Change in Control (as defined in Section 15 below).

(e) A stock certificate for the number of shares of Common Stock represented in the grant of Restricted Stock to a Participant shall be registered in the Participant's name but shall be held in custody by Imation for the Participant's account. The Participant shall generally have the rights and privileges of a stockholder as to such Restricted Stock, including the right to vote such Restricted Stock, except that, subject to the provisions of Section 10 below, the following restrictions shall apply: (i) the Participant shall not be entitled to delivery of the certificate until the expiration or termination of the Restricted Period, the satisfaction of any other Conditions prescribed by the Committee, if any, and the payment in full of the purchase price, if any; (ii) none of the Restricted Stock may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period and until the satisfaction of other Conditions prescribed by the Committee, if any; and (iii) all of the Restricted Stock shall be forfeited and all rights of the Participant shall terminate without further obligation on the part of Imation unless the Participant shall have remained a regular full-time employee of Imation, or any of its subsidiaries or affiliates until the expiration or termination of the Restricted Period and the satisfaction of other Conditions prescribed by the Committee, if any.

(f) At the sole discretion of the Committee, Dividend Equivalents may be either currently paid or withheld by Imation for the Participant's account, and interest may be paid on the amount of cash dividends withheld at a rate and under such terms as determined by the Committee. Cash or stock dividends so withheld by the Committee shall not be subject to forfeiture. Upon the forfeiture of any Restricted Stock, such shares of Common Stock represented in the grant of Restricted Stock shall be transferred to Imation without further action by the Participant.

(g) Upon the expiration or termination of the Restricted Period and the satisfaction of other Conditions prescribed by the Committee, if any, or at such earlier time as provided for in Section 10 below, the restrictions applicable to the Restricted Stock shall lapse and a stock certificate for the number of shares of Common Stock represented in the grant of Restricted Stock shall be delivered to the Participant or the Participant's beneficiary, representative, or estate, as the case may be, free of all restrictions, except any that may be imposed by law, subject as well to the obligation of the Participant to pay the purchase price and applicable withholding taxes, if any, as provided in Section 4(d) herein. Unless otherwise instructed by a Participant by an irrevocable, written instruction received by Imation at least six months prior to the date

that applicable restrictions lapse, Imation shall automatically withhold as payment the number of shares of Common Stock, determined by the Fair Market Value at the date of the lapse, required to pay withholding taxes, if any. Imation shall not be required to deliver any fractional share of Common Stock but will pay, in lieu thereof, the Fair Market Value (as of the date the last Conditions lapse) of such fractional share.

SECTION 7 OTHER STOCK AWARDS

(a) The Committee may, in its sole discretion, grant Stock Awards other than Restricted Stock grants, and such Stock Awards may be granted singly, in combination or in tandem with, in replacement of, or as alternatives to grants or rights under this Program or any other employee or compensation plan of Imation, including the plan of any acquired entity.

(b) If the Committee shall stipulate Conditions with respect to such Stock Awards, the Conditions will be set forth in Agreements evidencing the grant, and such Agreements shall comply with and be subject to the terms and conditions of this 1996 Program.

(c) If Conditions with respect to such Stock Awards shall require the surrender or forfeiture of other grants or rights under this 1996 Program or any other employee or compensation plan of Imation, then the Participant shall not have any rights under such Stock Awards until the grants or rights exchanged have been fully and effectively surrendered or forfeited.

SECTION 8 ADMINISTRATION

The 1996 Program shall be administered under the direction of the Committee. In administering the 1996 Program, it will be necessary to follow various laws and regulations. It may be necessary from time to time to change or waive requirements of the 1996 Program to conform with the law, to meet special circumstances not anticipated or covered in the 1996 Program, or to carry on successful operation of the 1996 Program, and in connection therewith, the Committee shall have the full power and authority to:

(a) Prescribe, amend, and rescind rules and regulations relating to the 1996 Program, establish procedures deemed appropriate for its administration, and make any and all other determinations not herein specifically authorized which may be necessary or advisable for its effective administration;

(b) Make any amendments to or modifications of the 1996 Program which may be required or necessary to make the 1996 Program set forth herein comply with the provisions of any laws, federal or state, or any regulations issued thereunder, and to cause Imation at its expense to take any action related to the 1996 Program which may be required under such laws or regulations.

(c) Contest on behalf of the Participants or Imation, at the sole discretion of the Committee and at the expense of Imation, any ruling or

decision on any issue related to the 1996 Program, and conduct any such contest and any resulting litigation to a final determination, ruling, or decision.

SECTION 9 SHARES SUBJECT TO THE 1996 PROGRAM

(a) The Committee may from time to time provide for Option, Stock Appreciation Right, or Stock Award grants to the extent that such grants do not exceed an aggregate total of 6,000,000 shares of Common Stock, subject to adjustment pursuant to Section 13. Shares shall be made available in the discretion of the Board of Directors from authorized but unissued shares, treasury shares, or Imation may reacquire shares from time to time for sale under the 1996 Program. No fractional shares shall be issued under the 1996 Program. Cash may be paid in lieu of any fractional shares issuable under the 1996 Program.

(b) In instances where a Stock Appreciation Right or other award under the 1996 Program is settled in cash or any form other than Common Stock, then the shares of Common Stock covered by these settlements shall remain available for issuance of rights under the 1996 Program, to the extent permitted under Rule 16b-3 as promulgated by the Securities and Exchange Commission. Further, the payment of stock dividends and Dividend Equivalents settled in Common Stock in conjunction with outstanding awards shall not be counted against the shares available for issuance. Any shares that are issued by Imation through the assumption by Imation of, or in substitution for, outstanding awards previously granted by an acquired entity shall not be counted against the shares available for issuance under the 1996 Program. In the event that the Securities and Exchange Commission determines that any of the foregoing shares of Common Stock must be counted, then the shares of Common Stock otherwise provided in the foregoing not to be counted shall be counted against the aggregate limit of shares under the 1996 Program, but only to the minimum amount necessary to comply with the determination by the Securities and Exchange Commission.

(c) In instances where Options, Stock Appreciation Rights, or Stock Awards expire, terminate, or are forfeited or canceled for whatever reasons, then the shares of Common Stock covered by these previously outstanding awards shall be returned to the unutilized, authorized shares available for further granting of rights under the 1996 Program.

SECTION 10 TERMINATION OF RIGHTS UNDER THE 1996 PROGRAM

The following provisions of Section 10 shall apply to all grants under the 1996 Program unless otherwise provided in the Agreements or as determined by the Committee:

(a) Participation hereunder shall cease and all rights under the 1996 Program are automatically forfeited by the Participant upon the date of termination of employment for any cause other than: (i) retirement under a pension plan maintained by Imation, (ii) because of physical or mental disability as recognized under a plan maintained by Imation, or (iii) death.

(b) If a Participant retires pursuant to a pension plan maintained by Imation or changes employment status as a result of physical or mental disability, without having fully exercised an Option or Stock Appreciation Right, the Participant shall be entitled, within the remaining Option Period or term of the Stock Appreciation Right, as provided in the applicable Agreement, even though subsequent to the Participant's Retirement Date (but not more than ten years from the date of Agreement), to exercise his or her Option or Stock Appreciation Right and, in case of Options, to purchase (i) the number of shares which could have been purchased on the Retirement Date or date of changed employment status, plus (ii) the number of additional shares which the Participant would be entitled to purchase on the next Anniversary Date; or, in the case of Stock Appreciation Rights, to receive the full amount of appreciation for all issued Stock Appreciation Rights, regardless of whether yet exercisable. Incentive Stock Options, if not exercised within three months (one year in the case of a Participant who was disabled at retirement) following Participant's Retirement Date, shall fail to qualify for treatment under Section 422 of the Code, except in the case where a Participant dies within the three month period (one year period in the case of a disabled person) following such Retirement Date, in which event Participant's estate or representative shall have two years to exercise Options as Incentive Stock Options. If a Participant who has thus retired dies prior to the end of such remaining Option Period or term of the Stock Appreciation Right, without having yet fully exercised an Option or Stock Appreciation Right, the Option or Stock Appreciation Right may be exercised within two years after the date of his or her death (not more than ten years from the date of the Agreement) by the Participant's estate or by a person who acquired the right to exercise such Option or Stock Appreciation Right by bequest or inheritance or by reason of the death of the Participant.

(c) If the Participant, prior to such Participant's Retirement Date, dies without having fully exercised an Option or Stock Appreciation Right, the Option or Stock Appreciation Right may be exercised within two years following his or her death (but not more than ten years from the date of the Agreement) by the Participant's estate or by a person who acquired the right to exercise such Option or Stock Appreciation Right by bequest or inheritance or by reason of the death of the Participant, and such representative may, in the case of Options, purchase (i) the number of shares which the decedent could have purchased on the date of death, plus (ii) the number of shares which the decedent would have been entitled to purchase on the next Anniversary Date, or, in the case of Stock Appreciation Rights, may receive the full amount of appreciation for all issued Stock Appreciation Rights at the date of Participant's death, regardless of whether yet exercisable.

(d) Notwithstanding paragraph (a) of this section, if the Participant is terminated without having fully exercised an Option or Stock Appreciation Right under circumstances which the Committee believes to warrant special consideration and the Committee has determined that the Participant's rights will not be forfeited at the date of termination, the Option or Stock Appreciation Right may be exercised within two years following his or her termination of employment (but not more than ten years from the date of the Agreement) for (i) the number of shares which the Participant could have

purchased or received on the date of termination of employment, plus (ii) the number of additional shares which the Participant would have been entitled to purchase on the next Anniversary Date.

(e) If the Participant dies, either prior to or following his or her Retirement Date, or becomes totally disabled because of a physical or mental disability but before the Stock Award has expired, and has not yet received the stock certificate for the shares of Common Stock represented by the grant of Restricted Stock or other Stock Award, then all restrictions imposed by the Restricted Period or other Conditions prescribed by the Committee, if any, shall automatically lapse and a stock certificate shall be delivered to the participant or the Participant's beneficiary, representative, or estate, as the case may be, as provided in Section 6(g) herein.

SECTION 11 DELIVERY OF STOCK CERTIFICATES

Imation will have delivered to Participants certificates representing all stock purchased or received hereunder promptly after the receipt of notice of exercise of an Option or Stock Appreciation Right, or the complete satisfaction of Conditions applicable to Stock Awards.

Imation shall not, however, be required to issue or deliver any certificates for its Common Stock prior to the admission of such stock to listing on any stock exchange on which stock may at that time be listed or required to be listed, or prior to registration under the Securities Act of 1933. The Participant shall have no interest in Common Stock until certificates for such stock are issued or transferred to the Participant and the Participant becomes the holder of record.

SECTION 12 TRANSFERABILITY

Rights and grants under the 1996 Program may not be assigned, transferred (other than a transfer by will or the laws of descent and distribution as provided in Section 10), pledged, or hypothecated (whether by operation of law or otherwise), and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer (other than a transfer by will or laws of descent and distribution), pledge, hypothecation, other disposition of the rights and grants under the 1996 Program, or levy of attachment or similar process upon the Option, Stock Appreciation Right, or Stock Award shall constitute an immediate cancellation of the rights and grants under the 1996 Program.

SECTION 13 STOCK DIVIDEND, STOCK SPLIT, REDUCTION IN SHARES, MERGER, OR CONSOLIDATION

If a record date for a stock dividend, split, or reduction in the number of shares of stock should occur after the Program Effective Date during the period of continued exercisability of any rights under the 1996 Program,

appropriate adjustment shall be made to give effect thereto on an equitable basis.

If Imation is merged into or consolidated with one or more corporations during the period of continued exercisability of any rights under the 1996 Program, appropriate adjustments shall be made to give effect thereto on an equitable basis in terms of issuance of shares of the corporation surviving the merger or the consolidated corporation, as the case may be. In the event of a reclassification or stock split after the Program Effective Date, the absolute numbers of shares subject to grants under the 1996 Program shall be appropriately adjusted.

In the event that within such period there shall be any change in the number or kind of the issued shares of stock (of the class optioned or granted hereunder), or of any issued capital stock or other securities into which such shares shall have been converted, or for which they shall have been exchanged, and such change or transaction shall occur otherwise than through a stock dividend or split-up or combination of shares of stock of Imation, or if there is a recapitalization or other transaction involving a change in Imation's capital structure, then if (and only if) the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind or purchase price of shares of stock then subject to rights under this 1996 Program, such adjustment as the Committee shall, in its sole discretion, determine is equitable, shall be made and shall be effective and binding for all purposes of such outstanding rights.

SECTION 14 WITHDRAWAL, AMENDMENT, OR TERMINATION OF THE 1996 PROGRAM

The 1996 Program shall terminate five (5) years after the date of the initial grants or awards under the 1996 Program, and no rights under the 1996 Program shall be granted after the date of termination. Such termination shall not adversely affect rights under the 1996 Program theretofore granted.

The Board of Directors may at any time withdraw or amend the 1996 Program, except that there shall be no withdrawal or amendment which shall adversely affect rights under the 1996 Program theretofore granted, and no amendment shall be made without prior approval of the stockholders if stockholder approval is necessary to comply with section 16(b) of the Securities Exchange Act of 1934, as amended.

SECTION 15 CHANGE IN CONTROL

(a) For purposes of this Section 15, the following words and phrases shall have the meanings indicated below, unless the context clearly indicates otherwise:

(i) "Person" shall have the meaning associated with that term as it is used in Sections 13(d) and 14(d) of the Act.

(ii) "Affiliates and Associates" shall have the meanings assigned to such terms in Rule 12b-2 promulgated under Section 12 of the Act.

(iii) "Act" means the Securities Exchange Act of 1934.

(iv) "Continuing Directors" shall have the meaning assigned to such term in Article Thirteenth of Imation's Restated Certificate of Incorporation.

(b) Notwithstanding any other provision of this 1996 Program to the contrary, all outstanding Options and Stock Appreciation Rights shall (i) become immediately exercisable in full for the remainder of the respective Option Period upon the occurrence of a Change in Control of Imation, and (ii) remain exercisable in full for a minimum period of six months following the Change in Control; provided, however, that in no event shall any Option or Stock Appreciation Right be exercisable more than ten years from the date of the Agreement.

(c) Similarly, all restrictions regarding the Restricted Period or the satisfaction of other Conditions prescribed by the Committee, if any, with respect to grants of Stock Awards, shall automatically lapse, expire, and terminate and the Participant shall be immediately entitled to receive a stock certificate for the number of shares of Common Stock represented in the grant of Stock Awards as provided in Section 6(g) herein upon the occurrence of a Change in Control.

(d) For purposes of this Section 15, a Change in Control of Imation shall be deemed to have occurred if:

(i) any Person (together with its Affiliates and Associates), other than a trustee or other fiduciary holding securities under an employee benefit plan of Imation, is or becomes the "beneficial owner" (as that term is defined in Rule 13d-3 promulgated under the Act), directly or indirectly, of securities of Imation representing thirty percent (30%) or more of the combined voting power of Imation's then outstanding securities, unless a majority of the Continuing Directors of Imation's Board of Directors prior to that time have determined in their sole discretion that, for purposes of this 1996 Program, a Change in Control of Imation has not occurred; or

(ii) the Continuing Directors of Imation's Board of Directors shall at any time fail to constitute a majority of the members of such Board of Directors.

(e) In the event that the provisions of this Section 15 result in "payments" that are finally determined to be subject to the excise tax imposed by Section 4999 of the Code, Imation shall pay to each Participant an additional amount such that the net amount retained by such Participant following realization of all compensation under the 1996 Program that resulted in such

"payments," after allowing for the amount of such excise tax and any additional federal, state, and local income and employment taxes paid on the additional amount, shall be equal to the net amount that would otherwise have been retained by the Participant if there were no excise tax imposed by Section 4999 of the Code.

(f) Imation shall pay to each Participant the amount of all reasonable legal and accounting fees and expenses incurred by such Participant in seeking to obtain or enforce his or her rights under this Section 15, or in connection with any income tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to the payments made pursuant to this Section 15, unless a lawsuit commenced by the Participant for such purposes is dismissed by the court as being spurious or frivolous. Imation shall also pay to each Participant the amount of all reasonable tax and financial planning fees and expenses incurred by such Participant in connection with such Participant's receipt of payments pursuant to this Section 15.

SECTION 16 DIVIDENDS AND DIVIDEND EQUIVALENTS

The Committee may provide that awards under the 1996 Program earn dividends or Dividend Equivalents. Such Dividend Equivalents may be paid currently or may be credited to a Participant's account. In addition, dividends paid on outstanding awards or issued shares may be credited to a Participant's account rather than paid currently. Any crediting of dividends or Dividend Equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents.

SECTION 17 DEFERRALS AND SETTLEMENTS

Payment of awards may be in the form of cash, Common Stock, other awards or combinations thereof as the Committee shall determine, and with such other restrictions as it may impose. The Committee may also require or permit Participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under the 1996 Program. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts denominated in cash or the payment or crediting of Dividend Equivalents on deferred settlements denominated in shares.

SECTION 18 OTHER IMATION BENEFIT AND COMPENSATION PROGRAMS

Unless otherwise specifically determined by the Committee, settlements of awards received by Participants under the 1996 Program shall not be deemed a part of a Participant's regular, recurring compensation for purposes of calculating payments or benefits under any Imation benefit plan, severance program, or severance pay law of any country. Further, Imation may adopt other compensation programs, plans, or arrangements as it deems appropriate or

necessary.

SECTION 19 UNFUNDED PLAN

Unless otherwise determined by the Committee, the 1996 Program shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The 1996 Program shall not establish any fiduciary relationship between Imation and any Participant or other person. To the extent any person holds any rights by virtue of a grant under the 1996 Program, such right (unless otherwise determined by the Committee) shall be no greater than the right of an unsecured general creditor of Imation.

SECTION 20 FUTURE RIGHTS

No person shall have any claim or rights to be granted an award under the 1996 Program, and no Participant shall have any rights under the 1996 Program to be retained in the employ of Imation.

IMATION CASH BALANCE PENSION PLAN

Effective July 1, 1996

IMATION CASH BALANCE PENSION PLAN

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IMATION CASH BALANCE PENSION PLAN

Effective as of July 1, 1996, Imation Corp. (Imation"), a spin-off" from Minnesota Mining and Manufacturing Company (3M"), hereby establishes the Imation Cash Balance Pension Plan (the "Plan").

SECTION 1

INTRODUCTION

1.1. DEFINITIONS. When the following terms are used herein with initial capital letters, they shall have the following meanings:

1.1.1. ACCOUNT BALANCE -- a single lump sum dollar amount (sometimes called a Personal Retirement Account" or PRA") determined for each Participant as provided in Section 1.2.

1.1.2. ACCRUED BENEFIT -- the monthly amount of retirement income payable at Normal Retirement Date in the Life and Five Year Certain Annuity form determined for a Participant as of a specified date (the determination date") which shall equal one-twelfth (1/12th) of the annual amount determined by adjusting such Participant's Account Balance as of the determination date as follows:

- (a) ANNUAL AMOUNT IF PARTICIPANT IS AGE 65 OR OVER. If the Participant's Age as of the determination date is 65 or over, such Account Balance shall be divided by the factor from Appendix D to this Plan Document for the Life and Five Year Certain Annuity form for the Participant's Age.
- (b) ANNUAL AMOUNT IF PARTICIPANT IS UNDER AGE 65. If the Participant's Age as of the determination date is less than 65, such Account Balance shall be increased by assumed Interest Credits projected to the Participant's Age 65 at the Interest Percentage in effect on the determination date and such increased Account Balance shall then be divided by the factor from Appendix D to this Plan Document for the Life and Five Year Certain Annuity form for Age 65 (such projected increase of the Account Balance by assumed Interest Credits is made solely for the purpose of determining the Participant's Accrued Benefit as of the determination date and does not increase the Account Balance for any other purpose).

No amendment of this Plan shall have the effect of reducing the Accrued Benefit of any Participant under this Plan Document. If any such amendment would appear to have the effect of reducing an Accrued Benefit, such amendment shall not be given effect to reduce the Accrued Benefit below the level determined as of one day prior to the effective date of the amendment or, if later, the date such amendment is adopted (but such amendment may have the effect of temporarily or indefinitely curtailing the accrual of additional benefits).

1.1.3. ACTUARIAL EQUIVALENT -- a benefit of equivalent value computed on the basis of actuarial tables, factors and assumptions set forth in this Plan Document, including Appendix D.

1.1.4. ACTUARY -- a corporation, firm or individual selected by the PRAC which has on its staff one or more actuaries who are enrolled with the Joint Board for the Enrollment of Actuaries. The PRAC reserves the right to retain the Actuary and to change the Actuary at any time and from time to time.

1.1.5. AFFILIATE -- a business entity which is under "common control" with the Employer or which is a member of an "affiliated service group" that includes the Employer, as those terms are defined in section 414(b), (c) and (m) of the Code. A business entity which is a predecessor to the Employer shall be treated as an Affiliate if the Employer maintains a plan of such predecessor business entity or if, and to the extent that, such treatment is

otherwise required by regulations under section 414(a) of the Code. A business entity shall also be treated as an Affiliate if, and to the extent that, such treatment is required by regulations under section 414(o) of the Code. In addition to said required treatment, the PRC may, in its discretion, designate as an Affiliate any business entity which is not such a "common control," "affiliated service group" or "predecessor" business entity but which is otherwise affiliated with the Employer, subject to such limitations as the PRC may impose.

1.1.6. AGE -- unless specified otherwise, a person's Age shall be computed in years and months, assuming the person was born on the first day of the month following the month in which such person was actually born (unless the person was born on the first day of a month, in which case the actual birth date shall apply). When the term "age" is used without an initial capital letter, it shall mean actual age.

1.1.7. BENEFICIARY -- a person designated by a Participant (or designated automatically by operation of this Plan Document) to receive a death benefit payable under the terms of this Plan (other than the survivor benefit payable under a joint and survivor annuity, the recipient of which is referred to as a Joint Annuitant). A person so designated shall not be considered a Beneficiary until the death of the Participant. Subject to other provisions of this Plan Document, a Beneficiary designation may be changed at any time before the death of the Participant.

1.1.8. CHANGE IN CONTROL -- a Change in Control shall have the same meaning as that term in the Imation Employee Stock Incentive Plan or any successor document.

1.1.9. CODE -- the Internal Revenue Code of 1986, as amended, including applicable regulations for the specified section of the Code. Any reference in this Plan Document to a section of the Code, including the applicable regulation, shall be considered also to mean and refer to any subsequent amendment or replacement of that section or regulation.

1.1.10. DISABILITY -- the total and permanent disability of a Participant which shall be deemed to occur only during the period when the Participant is receiving payments under the Employer's long-term disability plan (or would be receiving such payments but for offsets for Social Security or any other benefits specified by such plan).

1.1.11. EARLIEST RETIREMENT DATE -- the first day of the calendar month coincident with or next following the date when the Participant both has attained Age fifty-five (55) years and has completed at least five (5) years of Vesting Service.

1.1.12. EFFECTIVE DATE -- July 1, 1996.

1.1.13. ELIGIBLE EARNINGS -- for any Plan Year, that portion of the amount reportable by the Employer for federal income tax purposes as base pay, overtime pay, incentive pay for hourly-paid employees, cash bonuses, vacation pay, shift premium pay, commission pay and performance sharing paid to the Participant during such Plan Year; increased by the amount of compensation reductions experienced by the Participant during such year pursuant to the provisions of any Employer 401(k) plan, and by the amount of any employer contributions made on behalf of the Participant pursuant to a salary reduction agreement and which are not includable in the gross income of the Participant under section 125 of the Code. Compensation in excess of \$150,000 (as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Code) in any Plan Year shall be disregarded. In determining a Participant's Eligible Earnings, the rules of section 414(q)(6) of the Code apply, except that in applying such rules, the term "family" shall include only the spouse of the Participant and lineal descendants of the Participant who have not attained age nineteen (19) years before the close of the Plan Year. If Participants are aggregated as such family members (and do not otherwise agree in writing), the Eligible Earnings of each family member shall equal the applicable limit multiplied by a fraction, the numerator of which is such family member's Eligible Earnings (before application of the applicable limit) and the denominator of which is the total Eligible Earnings (before application of the applicable limit) of all such family members. In addition, there shall be excluded from the Eligible Earnings: any compensation such Participant who is a Highly Compensated Employee (as defined in Appendix E to this Plan Document) has agreed in writing shall not be included in Eligible Earnings; any compensation such Participant received for employment that is not Recognized Employment; and any compensation such

Participant received after the last day of the Participant's Recognized Employment.

1.1.14. EMPLOYER -- Imation Corp.; Imation Enterprises Corp., a wholly owned subsidiary of Imation; any other business affiliate of Imation that adopts the Plan pursuant to Section 7.4; and any successor thereof that adopts the Plan.

1.1.15. EMPLOYMENT COMMENCEMENT DATE -- the date upon which an employee first performs one (1) Hour of Service for the Employer or an Affiliate (without regard to whether such Hour of Service is performed in Recognized Employment or otherwise).

1.1.16. ERISA -- the Employee Retirement Income Security Act of 1974, including applicable regulations for the specified section of ERISA. Any reference in this Plan Document to a section of ERISA, including the applicable regulation, shall be considered also to mean and refer to any subsequent amendment or replacement of that section or regulation.

1.1.17. FUND -- the assets of the Plan held by the Trustee from time to time, including all contributions and the investments and reinvestments, earnings and profits thereon.

1.1.18. HOUR OF SERVICE -- each hour for which the employee is paid, or entitled to payment, for the performance of duties for the Employer or an Affiliate and each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer or an Affiliate. These hours shall be credited to the employee for the period or periods in which the duties are performed.

1.1.19. IMATION -- Imation Corp., a Delaware corporation, and any successor thereof that adopts the Plan (also called the Principal Sponsor").

1.1.20. INVESTMENT MANAGER -- the person or persons, other than the Trustee, appointed by the PRC to manage all or a portion of the Fund.

1.1.21. INTEREST PERCENTAGE -- a percentage determined once for each calendar year which shall be equal to the average annual interest rate on 30-year Treasury Constant Maturities as published by the Internal Revenue Service for the month of December preceding such calendar year.

1.1.22. INTEREST CREDITS -- interest amounts credited to Account Balance as specified in Section 1.2.

1.1.23. JOINT AND 50% SURVIVOR ANNUITY -- a form of level annuity payable monthly to and for the lifetime of the Participant with a survivor annuity payable monthly after the death of the Participant to and for the lifetime of the spouse or other designated Joint Annuitant of the Participant in an amount equal to fifty percent (50%) of the amount payable during the joint lives of the Participant and such Joint Annuitant. The first payment to such Participant shall be due on the date specified in Section 3. The last payment to a Participant shall be due on the first day of the calendar month in which the Participant's death occurs. The last payment to a Joint Annuitant who survives the Participant shall be due on the first day of the calendar month in which such Joint Annuitant dies. The monthly amount payable to the Participant in the Joint and 50% Survivor Annuity form shall be one-twelfth (1/12th) of the annual amount determined by dividing the Participant's Account Balance as of the date payment commences by the factor from Appendix D to this Plan Document for the Joint and 50% Survivor Annuity form for the Participant's Age and the Joint Annuitant's Age as of such date.

1.1.24. JOINT ANNUITANT -- a person designated by a Participant (or designated automatically by operation of this Plan Document) to receive the survivor benefit payable under a joint and survivor annuity under the terms of this Plan. A person so designated shall not be considered a Joint Annuitant until payments under the joint and survivor annuity commence to the Participant. Subject to other provisions of this Plan Document, a Joint Annuitant designation may be changed at any time before payments so commence to the Participant (but not thereafter).

1.1.25. LIFE AND FIVE YEAR CERTAIN ANNUITY -- a form of level annuity payable monthly to and for the lifetime of the Participant; provided, however, that if the Participant dies before receiving sixty (60) monthly payments, such monthly payments shall continue to the Participant's Beneficiary until the total monthly payments made to the Participant and to the Beneficiary

equals sixty (60). The first payment shall be due on the date specified in Section 3 and the last payment shall be due on the first day of the calendar month in which the Participant's death occurs (or, if later, on the date of the 60th monthly payment). The monthly amount payable to the Participant in the Life and Five Year Certain Annuity form shall be one-twelfth (1/12th) of the annual amount determined by dividing the Participant's Account Balance as of the date payment commences by the factor from Appendix D to this Plan Document for the Life and Five Year Certain Annuity form for the Participant's Age as of such date.

1.1.26. LIFE ONLY ANNUITY -- a form of level annuity payable monthly to and for the lifetime of the Participant. The first payment shall be due on the date specified in Section 3 and the last payment shall be due on the first day of the calendar month in which the Participant's death occurs. The monthly amount payable to the Participant in the Life Only Annuity form shall be one-twelfth (1/12th) of the annual amount determined by dividing the Participant's Account Balance as of the date payment commences by the factor from Appendix D to this Plan Document for the Life Only Annuity form for the Participant's Age as of such date.

1.1.27. NORMAL RETIREMENT AGE -- age 65.

1.1.28. NORMAL RETIREMENT DATE -- the first day of the month coincident with or next following Normal Retirement Age.

1.1.29. PAY CREDIT -- pay-related amounts credited to the Account Balance as specified in Section 1.2.

1.1.30. PRAC -- see Section 1.1.33.

1.1.31. PRC -- see Section 1.1.34.

1.1.32. PARTICIPANT -- an employee of the Employer who becomes a Participant in the Plan in accordance with the provisions of Section 2. An employee who has become a Participant shall be considered to continue as a Participant in the Plan until the date of the Participant's death or, if earlier, the date when the Participant is no longer employed by the Employer or an Affiliate and upon which the Participant no longer has any Vested Accrued Benefit under the Plan (that is, the Participant has received a distribution of all of the Participant's Vested Accrued Benefit, if any, or the Participant's Accrued Benefit that is not Vested has been forfeited under Section 3.5.2).

1.1.33. PENSION AND RETIREMENT ADMINISTRATIVE COMMITTEE ("PRAC") -- a committee of not less than 3 members who are employees of the Employer appointed by and serving at the pleasure of the PRC.

1.1.34. PENSION AND RETIREMENT COMMITTEE ("PRC") -- a committee of not less than 3 members who are employees of the Employer appointed by and serving at the pleasure of the Chief Executive Officer of Imation.

1.1.35. PERIOD OF SERVICE -- a measure of an employee's employment with the Employer and all Affiliates which is equal to the period commencing on the employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the next following Severance from Service Date; provided, however:

- (a) YEARS AND MONTHS. A Period of Service shall be stated in years and full calendar months. A Period of Service actually commencing on or before the seventeenth (17th) day of a calendar month shall be deemed to have commenced on the first day of such calendar month. A Period of Service actually commencing after the seventeenth (17th) day of a calendar month shall be deemed to have commenced on the first day of the following calendar month. A Period of Service ending before the seventeenth (17th) day of a calendar month shall be deemed to have ended on the last day of the prior calendar month. A Period of Service actually ending on or after the seventeenth (17th) day of a calendar month shall be deemed to have ended on the last day of such calendar month.
- (b) AGGREGATION. Unless some or all of an employee's service may be disregarded pursuant to other rules

of this Plan Document, all discontinuous Periods of Service shall be aggregated in determining the total of an employee's Period of Service. When aggregating discontinuous periods of less than one (1) year, twelve (12) months shall equal one (1) year.

- (c) SERVICE SPANNING NO. 1. If an employee quits, is discharged or retires from service with the Employer and all Affiliates and performs an Hour of Service within the twelve (12) months following the Severance from Service Date, that Period of Severance shall be deemed to be a Period of Service.
- (d) SERVICE SPANNING NO. 2. If an employee quits, is discharged or retires during the first twelve (12) months of an absence from service for any reason other than a quit, a discharge, retirement or death, and then performs an Hour of Service within the twelve (12) months following the date on which the employee was first absent from service, that Period of Severance shall be deemed to be a Period of Service.

1.1.36. PERIOD OF SEVERANCE -- the period of time commencing on an employee's Severance from Service Date and ending on the date on which that employee next again performs an Hour of Service for the Employer or for an Affiliate (without regard to whether such Hour of Service is performed in Recognized Employment or otherwise); provided, however:

- (a) YEARS AND MONTHS. A Period of Severance shall be stated in years and full calendar months. A Period of Severance commencing on or before the seventeenth (17th) day of a calendar month shall be deemed to have commenced on the first day of such calendar month. A Period of Severance actually commencing after the seventeenth (17th) day of a calendar month shall be deemed to have commenced on the first day of the following calendar month. A Period of Severance ending before the seventeenth (17th) day of a calendar month shall be deemed to have ended on the last day of the prior calendar month. A Period of Severance actually ending on or after the seventeenth (17th) day of a calendar month shall be deemed to have ended on the last day of such calendar month.
- (b) PARENTING LEAVE. Notwithstanding the foregoing, for the limited purpose of determining the length of a Period of Severance, the Severance from Service Date for an employee shall be advanced during any period of an absence from work due to the pregnancy of the employee, the birth of a child of the employee, the placement of a child with the employee in connection with the adoption of such child by the employee, or for the purpose of caring for such child for a period beginning immediately following such birth or placement. In no event, however, shall the Severance from Service Date be advanced under the foregoing sentence to a date that is later than the last day of the calendar month which is two (2) years after the first day of such absence. This adjustment in the Severance from Service Date shall not be made until the employee furnishes to the PRAC timely information which may be reasonably required by the PRAC to establish that the absence from work is for a reason for which this adjustment will be made.

1.1.37. PLAN -- the tax-qualified retirement plan of the Employer established for the benefit of employees eligible to participate therein, as first set forth in this Plan Document. For Code and ERISA purposes, the Plan is a defined-benefit pension plan. (As used herein, "Plan" refers to the legal entity established by the Employer and not to the document pursuant to

which the Plan is maintained. That document is referred to herein as the "Plan Document.") The Plan shall be referred to as the "IMATION CASH BALANCE PENSION PLAN."

1.1.38. PLAN DOCUMENT -- this document entitled "IMATION CASH BALANCE PENSION PLAN" as adopted by the Principal Sponsor effective as of July 1, 1996, as the same may be amended from time to time.

1.1.39. PLAN YEAR -- the calendar year (that is, the twelve (12) consecutive month period ending on each December 31).

1.1.40. PRINCIPAL SPONSOR -- Imation.

1.1.41. RECOGNIZED EMPLOYMENT -- all employment with the Employer, excluding, however:

- (a) employment classified by the Employer as temporary" employment,
- (b) employment in a unit of employees whose terms and conditions of employment are subject to a collective bargaining agreement between the Employer and a union representing that unit of employees, unless such collective bargaining agreement provides for the inclusion of those employees in the Plan,
- (c) employment of a nonresident alien who is not receiving any earned income from the Employer which constitutes income from sources within the United States,
- (d) employment in a division or facility of the Employer which is not in existence on the Effective Date (that is, was acquired, established, founded or produced by the liquidation or similar discontinuation of a separate subsidiary after the Effective Date) unless and until the PRC shall declare such employment to be Recognized Employment,
- (e) services of a person who is not a common law employee of the Employer including, without limiting the generality of the foregoing, services of a leased employee, leased owner, leased manager, shared employee, shared leased employee, temporary employee or other similar classification,
- (f) employment of a Highly Compensated Employee (as defined in Appendix E to this Plan Document) to the extent agreed to in writing by the employee.

1.1.42. REEMPLOYMENT COMMENCEMENT DATE -- the date upon which an employee first performs one (1) Hour of Service for the Employer or for an Affiliate following a Period of Severance that is not deemed to be a Period of Service (without regard to whether such Hour of Service is performed in Recognized Employment or otherwise).

1.1.43. SEVERANCE FROM SERVICE DATE -- the earlier of:

- (a) the date upon which an employee quits, is discharged or retires from service with the Employer and all Affiliates, or dies; or
- (b) the date which is the first anniversary of the first day of a period in which an employee remains continuously absent from service (with or without pay) with the Employer and all Affiliates for any reason other than a quit, a discharge, retirement or death, such as vacation, holiday, leave of absence or layoff.

Notwithstanding the foregoing, the Severance from Service Date of a Participant who is continuously absent from service due to Disability shall not be earlier than the last day of such Disability.

1.1.44. TRUST AGREEMENT -- the separate document entitled IMATION CASH BALANCE PENSION TRUST AGREEMENT entered into by and between the Principal Sponsor and the Trustee effective as of July 1, 1996, as the same may be amended from time to time thereafter.

1.1.45. TERMINATION OF EMPLOYMENT -- a complete severance of an employee's employment relationship with the Employer and all Affiliates, for any reason other than the employee's death. A transfer from employment with the Employer to employment with an Affiliate of the Employer shall not constitute a Termination of Employment. A Participant shall not be considered to have had a Termination of Employment during Disability.

1.1.46. TRUSTEE -- State Street Bank and Trust Company, and its successor or successors in trust.

1.1.47. VESTED -- nonforfeitable, i.e., a claim obtained by a Participant or the Participant's Beneficiary to that part of an immediate or deferred benefit hereunder which arises from the Participant's service, which is unconditional and which is legally enforceable against the Plan.

1.1.48. VESTING SERVICE -- a measure of an employee's employment with the Employer and all Affiliates which is equal to the employee's Period of Service; subject, however, to the following rules:

- (a) 3M SERVICE. Service with 3M before July 1, 1996 (beginning from 3M's service credit date"), shall be considered service with the Employer for Participants who transferred employment from 3M to the Employer as of July 1, 1996, in connection with the spin-off" of Imation from 3M.
- (b) EFFECT OF PERIODS OF SEVERANCE.
 - (i) GENERAL RULE. Except as otherwise provided in Section 1.1.48(b)(ii) below, if an employee has a Period of Severance and returns thereafter to employment with the Employer or an Affiliate, both employment before and employment after such Period of Severance shall be taken into account in determining whether the employee is Vested.
 - (ii) RULE OF PARITY. If an employee does not have any Vested interest in an Accrued Benefit upon the occurrence of a Period of Severance which equals or exceeds in length the greater of five (5) years or the employee's prior Vesting Service, such prior Vesting Service shall be disregarded. Any Vesting Service disregarded by a prior application of this paragraph need not thereafter be taken into account.
- (c) PAID LEAVES OF ABSENCE. Irrespective of whether it is counted as Vesting Service under the other rules of this Section 1.1.48, any leave of absence from Recognized Employment designated by the Employer as paid leave for Plan purposes shall count as Vesting Service.
- (d) UNPAID LEAVES OF ABSENCE. Irrespective of whether it is counted as Vesting Service under other rules of this Section 1.1.48, any leave of absence from Recognized Employment designated by the Employer as unpaid leave for Plan purposes shall count as Vesting Service, but only if the employee returns directly to Recognized Employment at the end of the leave.
- (e) MILITARY LEAVES. During service in the Armed Forces of the United States, if the employee both entered such service and returned to employment with the Employer or an Affiliate from such service under circumstances entitling the employee to

reemployment rights granted veterans under federal law, the employee shall, to the extent required by such federal law, receive the Vesting Service (and other benefits hereunder) which otherwise would normally have been earned by such employee but for such absence; provided, however, that if the employee does not return to employment for any reason other than death, Disability or attainment of Normal Retirement Date within the time prescribed by law for the retention of veteran's reemployment rights, such Vesting Service (and other benefits hereunder) shall not be received.

- (f) MEDICAL LEAVES. Irrespective of whether it is counted as Vesting Service under other rules of this Section 1.1.48, any leave of absence from Recognized Employment designated by the Employer as medical leave for Plan purposes shall count as Vesting Service.
- (g) DISABILITY. Irrespective of whether it is counted as Vesting Service under other rules of this Section 1.1.48, a period of Disability shall count as Vesting Service.
- (h) LEASED EMPLOYEES. To the extent required under section 414 of the Code, services of leased employees, leased owners, leased managers, shared employees, shared leased employees and other similar classifications for the Employer or an Affiliate shall be taken into account as if such services were performed as a common law employee of the Employer for the sole purpose of determining qualification for a Vested Benefit under Section 3.3.1(a).
- (i) EFFECT OF 3M EMPLOYMENT. Notwithstanding any other provision of this Plan Document, Vesting Service (if any) for a Participant on leave of absence shall cease if such Participant becomes an employee of 3M.

1.2. PARTICIPANT'S ACCOUNT BALANCE. There shall be maintained for each Participant an Account Balance which shall be adjusted periodically with the accruals hereinafter described and the value of which shall be determined without regard to any contributions to the Fund or the income, expenses, gains and losses of the Fund or any forfeitures of other Participants under the Plan; subject, however, to the following rules:

1.2.1. INITIAL ACCOUNT BALANCE. The opening Account Balance for each Participant shall be zero (0).

1.2.2. PAY CREDIT. As of each December 31 (beginning December 31, 1996, for each pay period with a pay date after July 1, 1996), each eligible Participant's Account Balance shall receive a Pay Credit equal to six percent (6%) of that Participant's Eligible Earnings for the Plan Year ending on that date. For purposes of this Section 1.2.2:

- (a) A Participant who is receiving Vesting Service during a paid leave of absence under Section 1.1.48(c) shall receive Pay Credits during the period of such receipt based on actual Eligible Earnings during such leave.
- (b) A Participant who is receiving Vesting Service during an unpaid leave of absence under Section 1.1.48(d) shall not receive Pay Credits for such leave (irrespective of whether such Participant returns to Recognized Employment).
- (c) A Participant who is receiving Vesting Service during a medical leave under Section 1.1.48(f) shall, during the period of such receipt, receive Pay Credits based on such Participant's stated monthly wage or salary (as specified by the

Employer) for the calendar month preceding the Participant's effective date of leave.

- (d) A Participant shall receive Pay Credits during a period of Disability to the extent provided in Section 3.4.
- (e) Pay Credits shall be credited on a prorated basis up to and including the last day of a Participant's Recognized Employment.

1.2.3. INTEREST CREDITS. As of the last day of each calendar year (beginning December 31, 1997), there shall be credited to each eligible Participant's or Beneficiary's Account Balance an Interest Credit, determined under the following rules:

- (a) The amount of each annual Interest Credit shall be equal to the Interest Percentage for the current calendar year multiplied by the Account Balance determined as of the last day of the prior calendar year (which Account Balance shall include any Pay Credits made as of such last day of such prior calendar year).
- (b) Interest Credits to each Account Balance will be credited on a prorated basis up to and including the last day of the month prior to the date as of which payments first commence with respect to such Account Balance (but not thereafter). Such prorated Interest Credits shall be based on the Account Balance determined as of the last day of the prior calendar year (which Account Balance shall include any Pay Credits made as of such last day of such prior calendar year but shall not include any prorated Pay Credits made for the current calendar year).

1.3. RULES OF INTERPRETATION. An individual shall be considered to have attained a given age on the individual's birthday for that age (and not on the day before). The birthday of any individual born on a February 29 shall be deemed to be February 28 in any year that is not a leap year. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to this entire Plan Document and not to any particular paragraph or Section of this Plan Document unless the context clearly indicates to the contrary. The titles given to the various Sections of this Plan Document are inserted for convenience of reference only and are not part of this Plan Document, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Document to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This document has been executed and delivered in the State of Minnesota and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the State of Minnesota.

SECTION 2

ELIGIBILITY AND PARTICIPATION

2.1. ELIGIBILITY RULE. Each employee of the Employer shall become a Participant on the employee's first day in Recognized Employment.

2.2. PARTICIPANTS MUST FURNISH DATA. As a condition of participation in the Plan, each employee shall furnish the PRAC such data and information, including, specifically, satisfactory proof of age, and complete such forms as the PRAC may consider desirable or necessary for the effective administration of the Plan. Notwithstanding anything to the contrary provided herein, no benefit shall be payable under the Plan unless the employee has complied with the requirements of this section, but the right of a Participant to a benefit shall be fully preserved upon subsequent compliance with said requirements.

2.3. EFFECT OF MISSTATEMENTS BY PARTICIPANT. If any Participant in any written statement required under Section 2.2 shall misstate such Participant's age or the age of any person upon whose survival the payment of any benefit in respect of such Participant is contingent or any other fact the misstatement of which would affect the amount of a benefit payable hereunder, the accrual of benefits in respect of such Participant shall not be invalidated, but the amount of the benefit to be available with respect to such Participant will be adjusted retroactively to the amount which would have been payable if such fact or facts had not been misstated; provided, however, that in no event will the Plan be liable to pay any greater benefit in respect of any Participant than that which would have been payable on the basis of the truth.

2.4. ADDITIONAL BENEFITS FOR CERTAIN FORMER 3M EMPLOYEES. In addition to other benefits described in this Plan Document, certain grandfathered" Participants who transferred employment from 3M to the Employer as of July 1, 1996, in connection with the spinoff" of Imation from 3M shall receive the benefits described in Appendix F to this Plan Document. Notwithstanding such benefits, no assets or liabilities will be transferred to this Plan from any 3M plan and this Plan is not a successor plan to any 3M plan.

SECTION 3

RETIREMENT INCOME BENEFITS

3.1. NORMAL RETIREMENT BENEFIT.

3.1.1. WHEN AVAILABLE. Upon the Termination of Employment of a Participant at or after Normal Retirement Date and upon the filing of any required application with the PRAC, the Participant shall receive a benefit under this Section 3.1 (a Normal Retirement Benefit").

3.1.2. AMOUNT. The initial monthly amount of the Participant's Normal Retirement Benefit shall be the amount of the Participant's Accrued Benefit determined as of the date the first payment of the Normal Retirement Benefit is made.

3.1.3. FORM OF BENEFIT. The normal form of the Normal Retirement Benefit is a Life and Five Year Certain Annuity, the first payment of which is due on the first day of the calendar month following the Participant's Termination of Employment or on the first day of any later calendar month which is designated by the Participant, in writing delivered to the PRAC, as the commencement date (but such date cannot be later than the January 1 following the calendar year in which the Participant attains Age seventy and one-half (70-1/2) years). In lieu of the Life and Five Year Certain Annuity form of Normal Retirement Benefit, a Participant may receive an optional form of retirement benefit as provided in Section 4 and a married Participant who does not elect otherwise shall receive the Normal Retirement Benefit in the Joint and 50% Survivor Annuity form as provided in Section 4.

3.2. EARLY RETIREMENT BENEFIT.

3.2.1. WHEN AVAILABLE. Upon the Termination of Employment of a Participant at or after Earliest Retirement Date and upon the filing of any required application with the PRAC, the Participant shall receive a benefit under this Section 3.2 (an Early Retirement Benefit").

3.2.2. AMOUNT. The initial monthly amount of the Participant's Early Retirement Benefit shall be the amount of the Participant's Accrued Benefit determined as of the date the first payment of the Early Retirement Benefit is made; provided, however, that if payments commence before the Participant attains Age sixty-five (65), the initial monthly amount of the Participant's Early Retirement Benefit shall be one-twelfth (1/12th) of the annual amount determined by dividing the Participant's Account Balance as of the date payment commences by the factor from Appendix D to this Plan Document for the Life and Five Year Certain Annuity form for the Participant's Age as of such date.

3.2.3. FORM OF BENEFIT. The normal form of the Early Retirement Benefit is a Life and Five Year Certain Annuity, the first payment of which is due (i) on the first day of the calendar month following the Participant's Normal Retirement Date, or (ii) on the first day of any earlier calendar month which follows such Participant's Earliest Retirement Date and Termination of Employment and which is designated by the Participant, in writing delivered to the PRAC, as the commencement date, or (iii) on the first day of

any later calendar month which is designated by the Participant, in writing delivered to the PRAC, as the commencement date (but such date cannot be later than the January 1 following the calendar year in which the Participant attains Age seventy and one-half (70-1/2) years). In lieu of the Life and Five Year Certain Annuity form of Early Retirement Benefit, a Participant may receive an optional form of retirement benefit as provided in Section 4 and a married Participant who does not elect otherwise shall receive the Early Retirement Benefit in the Joint and 50% Survivor Annuity form as provided in Section 4.

3.3. VESTED BENEFIT.

3.3.1. WHEN AVAILABLE. A Participant shall be fully Vested in such Participant's Accrued Benefit upon the occurrence of the first of the following while still an employee of the Employer or an Affiliate:

- (a) upon completing five (5) or more years of Vesting Service;
- (b) upon attainment of Normal Retirement Age;
- (c) upon a Change in Control; or
- (d) upon a complete termination of the Plan (but only to the extent such Participant's Accrued Benefit is then funded) or upon a partial termination of the Plan affecting such Participant (but only to the extent such Participant's Accrued Benefit would then be funded if the Plan were then completely terminated).

The Participant shall receive a benefit under this Section 3.3 (a Vested Benefit") after Termination of Employment (or, if earlier, on the January 1 following the calendar year in which the Participant attains Age seventy and one-half (70-1/2) years) and upon the filing of any required application with the PRAC.

3.3.2. AMOUNT. The initial monthly amount of the Participant's Vested Benefit shall be the amount of the Participant's Accrued Benefit determined as of the date the first payment of the Vested Benefit is made; provided, however, that if payments commence before the Participant attains Age sixty-five (65), the initial monthly amount of the Participant's Vested Benefit shall be one-twelfth (1/12th) of the annual amount determined by dividing the Participant's Account Balance as of the date payment commences by the factor from Appendix D to this Plan Document for the Life and Five Year Certain Annuity form for the Participant's Age as of such date. If a Participant in receipt of a Vested Benefit continues in employment with the Employer beyond the January 1 following the calendar year in which such Participant attains Age seventy and one-half (70-1/2) years, the amount of such Participant's Vested Benefit shall be redetermined as of Termination of Employment and as of each January 1 upon which such Participant continues to be employed by the Employer as if that date were the date of Termination of Employment. The amount of increased benefit, if any, shall be paid to the Participant in the form originally determined for the Participant (without any requirement for further notice to the Participant or the Participant's spouse, Joint Annuitant or Beneficiary and without any requirement for further Participant elections or spousal consent).

3.3.3. FORM OF BENEFIT. The normal form of the Vested Benefit is a Life and Five Year Certain Annuity, the first payment of which is due (i) on the first day of the calendar month following the Participant's Normal Retirement Date, or (ii) on the first day of any earlier calendar month which follows such Participant's Termination of Employment and which is designated by the Participant, in writing delivered to the PRAC, as the commencement date, or (iii) on the first day of any later calendar month which is designated by the Participant, in writing delivered to the PRAC, as the commencement date (but such date cannot be later than the January 1 following the calendar year in which the Participant attains Age seventy and one-half (70-1/2) years). In lieu of the Life and Five Year Certain Annuity form of Vested Benefit, a Participant may receive an optional form of retirement benefit as provided in Section 4 and a married Participant who does not elect otherwise shall receive the Vested Benefit in the Joint and 50% Survivor Annuity form as provided in Section 4.

3.4. DISABILITY RULES.

3.4.1. CONTINUING PAY CREDITS. Pay Credits under Section

1.2.2 shall continue to be made to a Participant's Account Balance during such Participant's Disability. Such Pay Credits will be based on such Participant's annual rate of pay" as determined by the Employer (excluding any pay that is not Eligible Earnings) in effect on such Participant's last full day of active employment with the Employer. Such Participant shall also receive Pay Credits for any Eligible Earnings actually received by such Participant after such full day that otherwise qualifies for Pay Credits.

3.4.2. CONTINUING INTEREST CREDITS. Interest Credits under Section 1.2.3 shall continue to be made to such Participant's Account Balance until the commencement of payments.

3.5. GENERAL BENEFITS RULES.

3.5.1. NONDUPLICATION OF BENEFITS. There shall be no duplication of retirement income benefits under the Plan. If a Participant is eligible for more than one (1) of the retirement income benefits provided under Section 3, such Participant shall elect only one (1) such benefit.

3.5.2. EFFECT OF TERMINATION BEFORE VESTING -- FORFEITURE AND RESTORATION. No retirement income benefits are available upon the Termination of Employment of a Participant before such Participant is entitled to those retirement income benefits specifically enumerated herein. If a Participant has a Termination of Employment prior to the date upon which retirement benefits are Vested, such employee's Account Balance, if any, shall be forfeited and reduced to zero as of the December 31 coincident with or next following the Termination of Employment (after any Pay Credits or Interest Credits are made as of such day). If such Participant returns to employment with the Employer or an Affiliate before the occurrence of a Period of Severance which equals or exceeds five (5) years, however, the Account Balance of such Participant shall be restored in the amount so forfeited (without interest or other increase). Actuarial gains resulting from the Termination of Employment of a Participant prior to the date on which retirement income benefits are Vested shall be taken into account in determining the succeeding contributions of the Employer and shall not be used to increase the retirement income benefits of other Participants. A Participant who has a Termination of Employment when not Vested shall be considered to have received full distribution.

3.6. FACILITY OF PAYMENT. In case of the legal disability, including minority, of a Participant, Joint Annuitant or Beneficiary entitled to receive any distribution under the Plan, payment shall be made, if the PRAC shall be advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such Participant, Joint Annuitant or Beneficiary, or
- (b) to a person or institution entrusted with the care or maintenance of the incompetent or disabled Participant, Joint Annuitant or Beneficiary, provided such person or institution has satisfied the PRAC that the payment will be used for the best interest and assist in the care of such Participant, Joint Annuitant or Beneficiary, and provided further, that no prior claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such Participant, Joint Annuitant or Beneficiary.

Any payment made in accordance with the foregoing provisions of this Section shall constitute a complete discharge of any liability or obligation of the Plan, the Employer, the PRC, the PRAC, the Trustee and the Fund therefor.

3.7. LIMITATION ON BENEFITS. In no event shall any benefit be payable to any Participant if, or to the extent that, it would exceed the limitations set forth in the Appendix A to this Plan Document.

3.8. SUSPENSION OF BENEFITS.

3.8.1. REEMPLOYMENT BEFORE NORMAL RETIREMENT DATE. If a Participant who is receiving retirement income from the Plan for a previous period of employment is reemployed in Recognized Employment by the Employer before Normal Retirement Date, payment of such retirement income shall be suspended during the period of reemployment. Upon such suspension, the Participant shall be credited with an initial Account Balance equal to the then

Actuarial Equivalent single sum value of the remaining retirement income due to the Participant and, if applicable, the Participant's Joint Annuitant or Beneficiary. Upon proper application at subsequent Termination of Employment, the Participant shall be entitled to the retirement income which is accrued under the Plan on account of total employment, adjusted, however, for the payments previously received. In no event shall the Participant receive, in the aggregate, a greater retirement income than would have been received if the entire period of employment had been continuous.

3.8.2. REEMPLOYMENT AFTER NORMAL RETIREMENT DATE. If a Participant who is receiving retirement income from the Plan for a previous period of employment is reemployed in Recognized Employment by the Employer after Normal Retirement Date, payment of such retirement income shall be suspended for a period of calendar months equal to the number of calendar months (beginning with the month of reemployment) during which the Participant has forty (40) or more Hours of Service. Upon such suspension, the Participant shall be credited with an initial Account Balance equal to the then Actuarial Equivalent single sum value of the remaining retirement income due to the Participant and, if applicable, the Participant's Joint Annuitant or Beneficiary. In no event shall the Participant receive, in the aggregate, a greater retirement income than would have been received if the entire period of employment had been continuous. The payments of retirement income shall resume no later than the first day of the third calendar month following the first calendar month during which the Participant has fewer than forty (40) Hours of Service. The payments of retirement income shall resume in an amount adjusted for any additional retirement income accrued under the Plan during the suspension. The initial payment upon resumption shall include the amount due for the month of resumption plus the amount due for any prior month during which the Participant had fewer than forty (40) Hours of Service. If the Participant should die during the period of suspension, then such survivor's benefits (if any) as may be provided for under the form of annuity in effect prior to the suspension shall be paid commencing with the first day of the month following the month in which the Participant's death occurs.

3.8.3. REEMPLOYMENT BEFORE BENEFITS COMMENCE. If a Participant is reemployed by the Employer after Termination of Employment (whether in Recognized Employment or otherwise) but before any retirement income payments have commenced under the Plan (without regard to whether such reemployment occurs before or after Normal Retirement Date), such retirement income payments shall not thereafter commence until the Participant's subsequent Termination of Employment.

3.8.4. CONTINUED EMPLOYMENT AFTER NORMAL RETIREMENT DATE. If a Participant continues in employment with the Employer after Normal Retirement Date, benefits will continue to accrue under the provisions of Section 1.2. Upon the subsequent Termination of Employment of the Participant, a Normal Retirement Benefit shall be paid to the Participant under the provisions of Section 3.1.

3.8.5. PROCEDURAL REQUIREMENTS. Notwithstanding the foregoing, no retirement income benefit shall be suspended under this Section 3.8 unless the Participant is furnished a written notice during the first month in which a payment is withheld that includes the following:

- (a) a statement that payment of the Participant's retirement income benefits are being suspended;
- (b) a description of the specific reasons why payment is being suspended;
- (c) a general description of the Plan provisions relating to the suspension of payments;
- (d) a copy of this Section 3.8;
- (e) a statement to the effect that the Department of Labor regulations pertaining to suspension of benefits may be found in section 2530.203-3 of Title 29, Code of Federal Regulations;
- (f) a description of the Plan's procedures for affording a review of the suspension of payments (which shall be the Plan's general claims procedure); and
- (g) a description of how any suspendible amount

actually (but improperly) paid will be offset from future payments;

provided, however, that if some or all of that information is set forth in the Plan's summary plan description and if the notice also includes information concerning how the employee may obtain a copy of the summary plan description or relevant portions thereof, then the notice may merely refer the Participant to the relevant pages of the summary plan description.

3.8.6. OFFSETS OF SUSPENDIBLE AMOUNTS. If any retirement income payment that should have been suspended under this Section 3.8 is paid to a Participant, then the suspendible amount shall be offset (without any adjustment for interest) from future payments as follows:

- (a) from the first payment due the Participant after a suspension of retirement income benefits, an amount not in excess of one hundred percent (100%) of the payment may be offset; and
- (b) from subsequent payments to the Participant, an amount not in excess of twenty-five percent (25%) of each such payment may be offset; and
- (c) from subsequent payments to Joint Annuitants or Beneficiaries, an amount not in excess of twenty-five percent (25%) of each such payment may be offset.

3.8.7. MINIMUM THRESHOLD FOR SUSPENSION. Notwithstanding the foregoing, such suspension and permanent withholding shall not occur: (a) if the Participant is a full-time employee, unless the Participant is employed for more than one (1) calendar month; and (b) if the Participant is not a full-time employee, unless the Participant is employed at an annual rate of at least one thousand (1,000) Hours of Service in a year.

3.9. NO PAYMENTS BEFORE JANUARY 1, 1997. Notwithstanding any other provision of this Plan Document, no payments shall be made from this Plan before January 1, 1997 (except to the extent the PRAC in its discretion adopts uniform rules providing otherwise).

SECTION 4

OPTIONAL FORMS OF RETIREMENT BENEFIT

4.1. OPTIONAL FORMS AVAILABLE.

4.1.1. FORMS OF RETIREMENT BENEFIT. To the extent authorized in Section 3, the forms of retirement benefit which shall be available to a Participant under the Plan shall be:

- (a) a single lump sum payment in cash equal to the Account Balance, determined on the last day of the month preceding the day payment is made;
- (b) Options for fixed monthly payments:
 - (i) the Life and Five Year Certain Annuity form.
 - (ii) the Life Only Annuity form.
 - (iii) the Joint and 50% Survivor Annuity form.

4.1.2. LIMITATION ON LUMP SUMS FOR CERTAIN HIGHLY COMPENSATED EMPLOYEES. Notwithstanding the foregoing, a single lump sum payment shall not be made to a Participant who is a highly compensated employee or a highly compensated former employee (as defined in Appendix E to this Plan Document) unless: (i) after payment of the single lump sum to such Participant, the value of Plan assets equals or exceeds one hundred ten percent (110%) of the value of current liabilities under the Plan (as defined in section 412(1)(7) of the Code), or (ii) the value of the single lump sum payable to such Participant is less than one percent (1%) of the value of such current liabilities before the payment. In any Plan Year, the total number of Participants whose benefits are

subject to this restriction is limited to the twenty-five (25) highly compensated employees and highly compensated former employees with the greatest compensation in the current or any prior Plan Year. For purposes of this restriction, the value of Plan assets and the value of current liabilities must be determined as of the same date.

4.1.3. EFFECT OF LUMP SUM ON REHIRED EMPLOYEE. Notwithstanding any other provision of this Plan Document, if a Participant who has received a lump sum payment is rehired by an Employer in Recognized Employment, such Participant's prior Vesting Service (but not the Account Balance) shall be restored.

4.2. PRESUMPTIVE FORMS. In the absence of an affirmative written election to the contrary:

- (a) each Participant who is not married when the first payment is due shall receive Vested benefit payments in the Life and Five Year Certain Annuity form, and
- (b) each Participant who is married when the first payment is due shall receive Vested benefit payments in the Joint and 50% Survivor Annuity form.

4.3. PARTICIPANT'S ELECTION RIGHTS. Subject to all other rules of this Plan (which may place limitations upon the forms of retirement benefit available or the conditions under which they may be effectively elected), a Participant shall be permitted to elect not to receive the retirement benefit in the form otherwise specified and to elect to receive it in another available form and to rescind any such prior elections before the first payment is made.

The PRAC shall notify each Participant in writing a reasonable time before Earliest Retirement Date of such Participant's option to begin immediately (or at a deferred date) to receive benefits in the form of a Life and Five Year Certain Annuity or other optional form made available under Section 4. This written notice shall also be given within a reasonable period of time prior to the date distribution is to be made or commenced to the Participant (but no less than 30 days) and shall include an explanation of the Life and Five Year Certain Annuity and of the other optional forms of retirement benefit made available to the Participant under Section 4 and the relative financial effect on the Participant's annuity if the Participant makes any of the elections described in Section 4 and of the following rules:

- (a) A Participant who is unmarried when payments begin will receive benefits in the form of a Life and Five Year Certain Annuity unless an optional form that is available under Section 4 is elected before the first payment is made.
- (b) A Participant who is married when payments begin will receive benefits in the form of a Joint and 50% Survivor Annuity unless such Participant elects not to receive such form before the first payment is made.
- (c) A Participant who is married when payments begin and who elects not to receive benefits as a Joint and 50% Survivor Annuity will receive benefits in the form of a Life and Five Year Certain Annuity unless, before the first payment is made, the Participant:
 - (i) is eligible for and makes an election of an optional form made available under Section 4, or
 - (ii) rescinds the prior election not to receive benefits in the form of a Joint and 50% Survivor Annuity.
- (d) A Participant who is married when payments begin and who elects not to receive benefits in the form of a Joint and 50% Survivor Annuity and later rescinds that election may thereafter again make

and rescind such election any number of times provided that, to be effective, such elections and rescissions must be made before the first payment is made.

- (e) An election not to receive the Vested benefit in the form of a Life and Five Year Certain Annuity shall not be effective unless accompanied by an affirmative election of some other optional form.
- (f) An election of a form of retirement benefit (other than a Life and Five Year Certain Annuity) shall be automatically rescinded by the death of the Participant or of a designated Joint Annuitant prior to the Termination of Employment of the Participant.
- (g) Except for a distribution made in the Joint and 50% Survivor Annuity form or a lump sum distribution of the Vested Account Balance of not more than Three Thousand Five Hundred Dollars (\$3,500), no distribution will be commenced to a married Participant in any form or at any time or under any circumstances unless such Participant has made a written application for such distribution which specifies the time and form of the distribution and the Participant's spouse consents to such distribution. This consent of the Participant's spouse must be given not more than ninety (90) days before the first payment of benefits is made, must be in writing, must be witnessed by a notary public and must acknowledge the effect of the Participant's application (and the terms and conditions of the requested distribution) to which it relates. The consent of a spouse is effective only for that spouse and is irrevocable once it is given.
- (h) Under no circumstances shall any election change the form of retirement benefit after the first payment has been made.
- (i) All elections and rescissions of elections and requests for information must be made in writing, must be signed by the Participant and will be deemed made only when delivered in fact to the PRAC.

4.4. DIRECT ROLLOVERS. The PRAC will issue such notices as may be required under Code section 402(f) in connection with distributions from the Plan. The Plan will accept and honor instructions for direct rollovers as required by Code section 401(a)(31).

SECTION 5

DEATH BENEFITS

5.1. DEATH AFTER BENEFIT COMMENCEMENT. The only death benefits which shall be payable under the Plan upon the death of a Participant after payment of benefits under the Plan has commenced to the Participant shall be the unpaid monthly payments of annuity, if any, which are to be continued under a period certain or joint and survivor form of retirement benefit elected by the Participant under Section 4 or provided automatically in the absence of the Participant's affirmative election.

5.2. DEATH BEFORE BENEFIT COMMENCEMENT.

5.2.1. WHEN AVAILABLE. Upon the death of a Participant who was then in active employment (including Disability) with the Employer or an Affiliate or upon the death of a Participant who was then fully Vested in such Participant's Accrued Benefit but had not yet begun to receive any payment of any benefits under the Plan, the entire Account Balance attributable to such Participant shall be payable to the Participant's Beneficiary. If, at the death

of the Participant, payment of benefits to the Participant was due or otherwise pending but not yet actually commenced, such pending payment shall not be made and the Participant shall be deemed to have not yet begun to receive any payment of any benefits under the Plan at the Participant's death. No benefits shall be payable with respect to a Participant who dies while not in active employment (or Disability) with the Employer or an Affiliate unless such Participant was then fully Vested in such Participant's Accrued Benefit.

5.2.2. SURVIVING SPOUSE.

- (a) LIFE ANNUITY. If the payment of the Account Balance is to be made to the surviving spouse of a deceased Participant, and the surviving spouse has not rejected distribution in this form, distribution shall be effected for the surviving spouse in the Life Only Annuity form in a monthly amount that is one-twelfth (1/12th) of the annual amount determined by dividing the Participant's Account Balance as of the date payment commences by the factor from Appendix D to this Plan Document for the Life Only Annuity form for the surviving spouse's Age as of such date. Such benefit shall commence as of the first day of a month designated by the surviving spouse, which date may not be earlier than the first day of the month following the date the Participant died and may not be later than the date which would have been the Participant's Normal Retirement Date (or, if later, the first day of the month following the date of the Participant's death).
- (b) OPTIONAL LUMP SUM. A surviving spouse may reject distribution in the Life Only Annuity form by filing with the PRAC an affirmative written rejection of distribution in that form and an election of payment in a single lump sum equal to the Participant's Account Balance as of the first day of any month specified by such spouse (but in all events actual payment shall be made not later than the later of (i) the latest day specified in Section 5.2.2(a) for the beginning of annuity payments, or (ii) five (5) years after the death of the Participant). Such rejection and election must be made not more than ninety (90) days before the date the lump sum distribution is to be made to the surviving spouse. The surviving spouse may make any number of rejections and revocations of rejections and they may be made at any time until the date the lump sum distribution is actually made to the surviving spouse.
- (c) WRITTEN EXPLANATION. Within a reasonable period of time prior to the date distribution is to be made or commenced to the surviving spouse (but no less than 30 days), there shall be furnished to the surviving spouse a written explanation of the terms and conditions of the Life Only Annuity form, and the surviving spouse's right to reject, and the effect of a rejection of, distribution in such form.

5.2.3. NONSPOUSE BENEFICIARIES. If the Beneficiary is not the spouse of the deceased Participant, distribution shall be made to the Beneficiary in a single lump sum equal to the Participant's Account Balance as of the first day of any month following the death of the Participant and the filing by the Beneficiary of any required application (which shall include proof of death) with the PRAC (but in all events actual payment shall be made not later than five (5) years after the date of the death of the Participant).

5.3. DESIGNATION OF BENEFICIARIES.

5.3.1. RIGHT TO DESIGNATE. Each Participant may designate, upon forms to be furnished by and filed with the PRAC, one or more primary Beneficiaries or alternative Beneficiaries to receive all or a specified part of the Participant's Vested Account Balance in the event of the Participant's

death. The Participant may change or revoke any such designation from time to time without notice to or consent from any Beneficiary or spouse. No such designation, change or revocation shall be effective unless executed by the Participant and received by the PRAC during the Participant's lifetime. If, however, such designation of a Beneficiary is made before the first day of the Plan Year in which the Participant attains age thirty-five (35) years and the Participant dies on or after that date while married, the Beneficiary designation is void.

5.3.2. SPOUSAL CONSENT. Notwithstanding the foregoing, a designation will not be valid for the purpose of paying benefits from the Plan to anyone other than a surviving spouse of the Participant (if there is a surviving spouse) unless that surviving spouse consents in writing to the designation of another person as Beneficiary. To be valid, the consent of such spouse must be in writing, must acknowledge the effect of the designation of the Beneficiary and must be witnessed by a notary public. The consent of the spouse must be to the designation of a specific named Beneficiary which may not be changed without further spousal consent, or alternatively, the consent of the spouse must expressly permit the Participant to make and to change the designation of Beneficiaries without any requirement of further spousal consent. The consent of the spouse to a Beneficiary is a waiver of the spouse's rights to death benefits under the Plan. The consent of the surviving spouse need not be given at the time the designation is made. The consent of the surviving spouse need not be given before the death of the Participant. The consent of the surviving spouse will be required, however, before benefits can be paid to any person other than the surviving spouse. The consent of a spouse shall be irrevocable and shall be effective only with respect to that spouse. The provisions of this Section 5.3.2 shall not apply to a spouse of a Participant who became such after benefits have commenced to such Participant.

5.3.3. FAILURE OF DESIGNATION. If a Participant:

- (a) fails to designate a Beneficiary;
- (b) designates a Beneficiary and thereafter such designation is revoked without another Beneficiary being named; or
- (c) designates one or more Beneficiaries and all such Beneficiaries so designated fail to survive the Participant;

such Participant's Vested Account Balance, or the part thereof as to which such Participant's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Beneficiaries with a member surviving the Participant in equal shares (except in the case of the Participant's surviving issue) if there is more than one member in such class surviving the Participant:

- Participant's surviving spouse
- Participant's surviving issue per stirpes and not per capita
- Participant's surviving parents
- Participant's surviving brothers and sisters
- Representative of Participant's estate.

5.3.4. DISCLAIMERS BY BENEFICIARIES. A Beneficiary entitled to a distribution of all or a portion of a deceased Participant's Vested Account Balance may disclaim his or her interest therein subject to the requirements of this Section 5.3.4. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of all or any portion of a Vested Account Balance at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed Vested Account Balance is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to both the PRAC and to the Trustee after the date of the Participant's death but not later than one hundred eighty (180) days after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to both the PRAC and the Trustee. A disclaimer shall be considered to be delivered to the PRAC or the Trustee only when actually received by the PRAC or the Trustee (and in the case of a corporate Trustee, shall be considered to be delivered only when actually received by a trust officer familiar with the affairs of the Plan, which trust officer shall

immediately inform the PRAC of such receipt). The PRAC (and not the Trustee) shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 6 and shall not be considered to be an assignment or alienation of benefits in violation of federal law prohibiting the assignment or alienation of benefits under this Plan. No other form of attempted disclaimer shall be recognized by either the PRAC or the Trustee.

5.3.5. DEFINITIONS. When used herein and, unless the Participant has otherwise specified in the Participant's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Participant.

5.3.6. SPECIAL RULES. Unless the Participant has otherwise specified in the Participant's Beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Participant, it shall be deemed that the Beneficiary was not living at the time of the death of the Participant.
- (b) The automatic Beneficiaries specified in Section 5.3.3 and the Beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a Beneficiary survives the Participant but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.
- (c) If the Participant designates as a Beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a Beneficiary on a form executed by the Participant and received by the PRAC after the date of the legal termination of the marriage between the Participant and such former spouse, and during the Participant's lifetime.)
- (d) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.
- (e) Any designation of a Beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.

A Beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The PRAC (and not the Trustee) shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

SECTION 6

SPENDTHRIFT PROVISIONS

No Participant or Beneficiary or Joint Annuitant shall have any transmissible interest in any Accrued Benefit nor shall any Participant or Beneficiary or Joint Annuitant have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of the Trustee, nor shall the Trustee, the Employer, the PRC, or the PRAC recognize any assignment thereof, either in whole or in part, nor shall any Accrued Benefit be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of the Trustee.

The power to designate Beneficiaries to receive the Vested Accrued Benefit of a Participant in the event of death shall not permit or be construed to permit such power or right to be exercised by the Participant so as thereby to anticipate, pledge, mortgage or encumber the Participant's Accrued Benefit or any part thereof, and any attempt of a Participant so to exercise said power in violation of this provision shall be of no force and effect and shall be disregarded by the Employer, the PRC, the PRAC and the Trustee.

This Section shall not prevent the Employer, the PRC, the PRAC or the Trustee from exercising, in their discretion, any of the applicable powers and options granted to them upon the occurrence of a Termination of Employment, as such powers may be conferred upon them by any applicable provision hereof. This Section shall not prevent the Employer, the PRC, the PRAC or the Trustee from observing the terms of a qualified domestic relations order as provided in Appendix C to this Plan Document.

SECTION 7

AMENDMENT AND TERMINATION

7.1. AMENDMENT. The Principal Sponsor reserves the power to amend this Plan Document either prospectively or retroactively or both:

- (a) in any respect by resolution of its Board of Directors; or
- (b) by the PRC
 - (i) in any respect that does not materially increase the cost of the Plan, or
 - (ii) to the extent necessary, proper or desirable to maintain the Plan's tax qualification under the Code or compliance under ERISA;

provided that no amendment shall be effective to reduce or divest the Accrued Benefit of any Participant unless the same shall have been adopted with the consent of the Secretary of Labor pursuant to the provisions of ERISA, or in order to comply with the provisions of the Code and the regulations and rulings thereunder affecting the tax-qualified status of the Plan and the deductibility of Employer contributions thereto.

7.2. DISCONTINUANCE OF CONTRIBUTIONS AND TERMINATION OF PLAN. The Board of Directors of the Principal Sponsor reserves the right to totally or partially terminate the Plan. Upon the termination of the Plan, each Participant, Beneficiary and Joint Annuitant shall look solely to the assets of the Fund created for the purposes of the Plan and shall have no claim against the Employer on account of the inadequacy of the assets of the Fund to adequately provide the benefits otherwise apparently promised in this Plan Document. The rights of Participants who shall then retire or who have theretofore retired from the employment of the Employer and who or whose designated Joint Annuitants or Beneficiaries are then entitled to receive a retirement benefit or who are then in receipt of a retirement benefit hereunder and the rights of Participants who, on the date of such termination, are then employed by the Employer shall be determined in accordance with section 4044 of ERISA. Notwithstanding the foregoing, the benefit of any highly compensated employee and any highly

compensated former employee (as defined in Appendix E to this Plan Document) is limited to a benefit that is nondiscriminatory under section 401(a)(4) of the Code. Any funds held by the Trustee after making the allocations described in said section 4044 shall revert to and be paid to the Employer.

7.3. MERGER OR SPINOFF OF PLANS.

7.3.1. IN GENERAL. The PRC may cause all or a part of this Plan to be merged with all or a part of any other plan and may cause all or a part of the assets and liabilities to be transferred from this Plan to another plan. In the case of merger or consolidation of this Plan with, or transfer of assets and liabilities of this Plan to, any other plan, each Participant shall (if such other plan were then terminated) receive a benefit immediately after the merger, consolidation or transfer which is not less than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation or transfer (if this Plan had then terminated).

7.3.2. LIMITATIONS. In no event shall assets be transferred from any other plan to this Plan unless this Plan complies (or has been amended to comply) with the optional form of benefit requirements of section 411(d)(6)(B)(ii) of the Code with respect to such transferred assets. In no event shall assets be transferred from this Plan to any other plan unless such other plan complies (or has been amended to comply) with the optional form of benefit requirements of section 411(d)(6)(B)(ii) of the Code with respect to such transferred assets.

7.3.3. BENEFICIARY DESIGNATIONS. If assets and liabilities are transferred from another plan to this Plan, Beneficiary designations made under that plan shall become void on the date as of which such transfer is made and the Beneficiary designation rules of this Plan Document shall apply beginning on such date (unless the PRAC adopts rules to the contrary).

7.4. ADOPTION BY BUSINESS AFFILIATES.

7.4.1. ADOPTION BY CONSENT. The PRC may consent to the adoption of the Plan by any business entity affiliated with the Principal Sponsor (subject to such conditions as the PRC may impose).

7.4.2. PROCEDURE FOR ADOPTION. Any such adopting business entity shall initiate its adoption of the Plan by delivery of a certified copy of the resolutions of its board of directors (or other authorized body or individual) adopting this Plan Document to the PRC. Upon the consent by the PRC in writing to the adoption by the adopting business entity, and the delivery to the Trustee of written evidence of the PRC's consent, the adoption of the Plan by the adopting business entity shall be effective as of the date specified by the PRC. If such adopting business entity is not a corporation, any reference in the Plan Document to its board of directors shall be deemed to refer to such entity's governing body or other authorized individual.

7.4.3. EFFECT OF ADOPTION. Upon the adoption of the Plan by an adopting business entity as heretofore provided, the adopting business entity shall be an Employer hereunder in all respects. Each adopting business entity, as a condition of continued participation in the Plan, delegates to the Principal Sponsor the sole power and authority over all Plan matters except that the board of directors of each adopting business entity shall have the power to amend this Plan Document as applied to it by establishing a successor plan to which assets and liabilities may be transferred as provided in Section 7.3 and to terminate the Plan as applied to it. Each reference herein to the Employer shall include the Principal Sponsor and all adopting business entities unless the context clearly requires otherwise.

7.4.4. ADOPTION BY SUBSIDIARY. As of the Effective Date, Imation Enterprises Corp. has so adopted the Plan.

SECTION 8

FUNDING OF THE PLAN

8.1. CONCERNING THE TRUSTEE. The Principal Sponsor shall enter into and shall continue in force a Trust Agreement with a Trustee establishing a Fund for the purpose of receiving contributions made in support of the Plan, managing the assets of the Plan, paying the reasonable expenses of the Plan and disbursing benefits determined by the PRAC to be due under the Plan. The Principal Sponsor

by action of the PRC reserves the right to select the Trustee, remove a Trustee and amend the Trust Agreement from time to time and at any time.

As of the Effective Date, the Trust Agreement in effect is entitled "IMATION CASH BALANCE PENSION TRUST AGREEMENT," and designates STATE STREET BANK AND TRUST COMPANY as Trustee.

The rights and obligations of the Trustee shall be determined solely under the terms of the Trust Agreement. The Trustee is not a party to this Plan Document and the terms of this Plan Document shall not be binding on the Trustee except to the extent that they are expressly incorporated by reference into the Trust Agreement or are made binding upon the Trustee as a matter of law.

8.2. COST OF PLAN. During the continuation of the Plan and after consultation with the Actuary, the Employer will determine and contribute annually or more frequently to the Trustee such amounts which, together with the principal and accumulated earnings, will comply with the provisions of the Code and ERISA. Participants will neither be required nor permitted to make contributions to the Fund in support of the Plan. Each contribution to the Plan is conditioned upon its deductibility for federal income tax purposes.

8.3. CONTRIBUTIONS NOT TO BE DIVERTED. Except as hereinafter provided, no part of the contributions that the Employer makes under the Plan shall be available to the Employer for any purpose except for providing benefits under the Plan to Participants, Joint Annuitants and Beneficiaries under the Plan until all such liabilities have been satisfied in full. If the deduction for federal income tax purposes under section 404 of the Code should be disallowed, in whole or in part, for any Employer contribution to the Plan for any year, or if any Employer contribution to the Plan is made by reason of a mistake of fact, then there shall be calculated the excess of the amount contributed over the amount that would have been contributed had there not occurred a mistake in determining the deduction or a mistake of fact. The PRAC, at its election, may direct the Trustee to return such excess, adjusted for its pro rata share of any net loss (but not any net gain) in the value of the Fund which accrued while such excess was held therein, to the Employer within one (1) year of the disallowance of the deduction or the mistaken payment of the contribution, as the case may be.

SECTION 9

DETERMINATIONS -- RULES AND REGULATIONS

9.1. DETERMINATIONS. The PRAC shall make such determinations as may be required from time to time in the administration of the Plan. The PRAC shall have the final authority and responsibility to interpret and construe the Plan Document and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of employees, Participants, Joint Annuitants and Beneficiaries and the amounts of their respective interests. The Trustee and other interested parties may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

9.2. RULES AND REGULATIONS. The PRAC may adopt, by resolution, any rules not in conflict or at variance with the provisions hereof to satisfy its obligations under this Plan Document.

9.3. METHOD OF EXECUTING INSTRUMENTS. Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor, the Employer, the PRC or the PRAC pursuant to any provision of this Plan Document may be signed in the name of the Principal Sponsor or Employer by any officer thereof who has been authorized to make such certification or to give such notices or consents or by any member of an authorized committee.

9.4. CLAIMS PROCEDURE. Until modified by the PRAC, the claims procedure set forth in this Section 9.4 shall be the claims procedure for the resolution of disputes and disposition of claims arising under the Plan. An application for benefits under Sections 3 or 5 shall be considered as a claim for the purposes of this Section.

9.4.1. ORIGINAL CLAIM. Any employee, former employee, or Joint Annuitant or Beneficiary of such employee or former employee may, if the employee, former employee, Joint Annuitant or Beneficiary so desires, file with the PRAC a written claim for benefits under the Plan. Within ninety (90) days after the filing of such a claim, the PRAC shall notify the claimant in writing

whether the claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty (180) days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the PRAC shall state in writing:

- (a) the specific reasons for the denial,
- (b) the specific references to the pertinent provisions of this Plan Document on which the denial is based,
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and
- (d) an explanation of the claims review procedure set forth in this Section.

9.4.2. CLAIMS REVIEW PROCEDURE. Within sixty (60) days after receipt of notice that the claim has been denied in whole or in part, the claimant may file with the PRAC a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the PRAC shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days (120) from the date the request for review was filed) to reach a decision on the request for review.

9.4.3. GENERAL RULES.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The PRAC may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the PRAC upon request.
- (b) All decisions on original claims shall be made by the PRAC (or by another entity, committee or person pursuant to the authority so delegated by resolution of the PRAC) and requests for a review of denied claims shall be made by the PRAC (or such delegee).
- (c) The PRAC may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) Claimants may be represented by a lawyer or other representative at their own expense, but the PRAC reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to copies of all notices given to the claimant.
- (e) The decision of the PRAC on an original claim and of the PRAC on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.
- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or the claimant's representative shall have a reasonable opportunity to review a copy of this Plan Document and all other pertinent documents in the possession of the Employer, the PRAC and the Trustee.
- (g) Any claimant to benefits under this Plan shall be required to exhaust the procedures of this Section

9.4 before commencing any legal action with respect to such benefits.

9.5. INFORMATION FURNISHED BY PARTICIPANTS. Neither the Employer, nor the PRC, nor the PRAC, nor the Trustee shall be liable or responsible for any error in the computation of the Accrued Benefit of a Participant resulting from any misstatement of fact made by the Participant, directly or indirectly, to the Employer, the PRC, the PRAC or the Trustee and used by them in determining the Participant's Accrued Benefit. Neither the Employer nor the PRC nor the PRAC nor the Trustee shall be obligated or required to increase the Accrued Benefit of such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the Accrued Benefit of any Participant which is overstated by reason of any such misstatement shall be reduced to the amount appropriate for the Participant in view of the truth. Any refund received upon reduction of an Accrued Benefit so made shall be used to reduce the next succeeding contribution of the Employer to the Plan.

SECTION 10

PLAN ADMINISTRATION

10.1. PRINCIPAL SPONSOR.

10.1.1. OFFICERS. Except as hereinafter provided, functions generally assigned to the Principal Sponsor shall be discharged by its officers or delegated and allocated as provided herein.

10.1.2. CHIEF EXECUTIVE OFFICER. Except as hereinafter provided, the Chief Executive Officer of the Principal Sponsor may delegate or redelegate and allocate and reallocate to one or more persons or to a committee of persons jointly or severally, and whether or not such persons are directors, officers or employees, such functions assigned to the Principal Sponsor hereunder as the Chief Executive Officer may from time to time deem advisable.

10.1.3. BOARD OF DIRECTORS. Notwithstanding the foregoing, the Board of Directors of the Principal Sponsor shall have the exclusive authority, which may not be delegated, to act for the Principal Sponsor to terminate the Plan.

10.2. COMMITTEES.

10.2.1. PRC -- APPOINTMENT AND REMOVAL. The PRC shall consist of 3 or more members as may be determined and appointed from time to time by the Chief Executive Officer of the Principal Sponsor and they shall serve at the pleasure of such Chief Executive Officer. Members of the PRC shall be employees of the Employer and shall serve without compensation, but their reasonable expenses shall be an expense of the administration of the Fund and shall be paid by the Trustee from and out of the Fund except to the extent the Employer, in its discretion, directly pays such expenses.

10.2.2. PRC -- DUTIES. The PRC may elect such officers as the PRC may decide upon. In addition to the other duties described in this Plan Document, the PRC shall:

- (a) establish rules for the functioning of the PRC, including the times and places for holding meetings, the notices to be given in respect of such meetings and the number of members who shall constitute a quorum for the transaction of business,
- (b) organize and delegate to such person or persons (who need not be members of the PRC) as it shall select, authority to execute or authenticate rules, advisory opinions or instructions, and other instruments adopted or authorized by the PRC; adopt such bylaws or regulations as it deems desirable for the conduct of its affairs; appoint a secretary, who need not be a member of the PRC, to keep its records and otherwise assist the PRC in the performance of its duties; keep a record of all its proceedings and acts and keep all books of

account, records and other data as may be necessary for its administration of the Plan; notify the Employer and the Trustee of any action taken by the PRC and, when required, notify any other interested person or persons,

- (c) set up such rules as are deemed necessary to carry out its administration of the terms of this Plan Document,
- (d) appoint and remove members of the PRAC and assign to it duties under the Plan,
- (e) perform all other acts reasonably necessary for its administration of the Plan and carrying out the provisions of this Plan Document and the Trust Agreement and performing the duties imposed on it, and
- (f) delegate or redelegate to one or more persons, jointly or severally, and whether or not such persons are members of the PRC or employees of the Employer, such functions assigned to the PRC hereunder as it may from time to time deem advisable.

10.2.3. PRAC -- APPOINTMENT AND REMOVAL. The PRAC shall consist of 3 or more members as may be determined and appointed from time to time by the PRC and they shall serve at the pleasure of the PRC. Members of the PRAC shall be employees of the Employer and shall serve without compensation, but their reasonable expenses shall be an expense of the administration of the Fund and shall be paid by the Trustee from and out of the Fund except to the extent the Employer, in its discretion, directly pays such expenses.

10.2.4. PRAC -- DUTIES. The PRAC may elect such officers as the PRAC may decide upon. In addition to other duties described in this Plan Document, the PRAC shall:

- (a) organize and delegate to such person or persons (who need not be members of the PRAC) as it shall select, authority to execute or authenticate rules, advisory opinions or instructions, and other instruments adopted or authorized by the PRAC; adopt such bylaws or regulations as it deems desirable for the conduct of its affairs; appoint a secretary, who need not be a member of the PRAC, to keep its records and otherwise assist the PRAC in the performance of its duties; keep a record of all its proceedings and acts and keep all books of account, records and other data as may be necessary for its administration of the Plan; notify the Employer and the Trustee of any action taken by the PRAC and, when required, notify any other interested person or persons,
- (b) determine from the records of the Employer the compensation, service records, status and other facts regarding Participants and other employees,
- (c) cause to be compiled at least annually, from the records of the PRC and the PRAC and the reports and accountings of the Trustee, a report or accounting of the status of the Plan and the Accrued Benefits of the Participants, and make it available to each Participant who shall have the right to examine that part of such report or accounting (or a true and correct copy of such part) which sets forth the Participant's benefits and ratable interest in the Fund,
- (d) prescribe forms to be used for applications for benefits, notifications, etc., as may be required in the administration of the Plan,
- (e) set up such rules as are deemed necessary to carry

out its administration of the terms of this Plan Document,

- (f) appoint, supervise, and remove recordkeepers,
- (g) perform all other acts reasonably necessary for its administration of the Plan and carrying out the provisions of this Plan Document and performing the duties imposed on it by the PRC,
- (h) resolve all questions of administration of the Plan not specifically referred to in this Section, and
- (i) delegate or redelegate to one or more persons, jointly or severally, and whether or not such persons are members of the PRAC or employees of the Employer, such functions assigned to the PRAC hereunder as it may from time to time deem advisable.

10.2.5. AUTOMATIC REMOVAL. If any individual who is a member of a committee established in accordance with this section is a director, officer or employee when appointed as a member of the committee, then such individual shall be automatically removed as a member of the committee at the earliest time such individual ceases to be a director, officer or employee. This removal shall occur automatically and without any requirement for action by the Chief Executive Officer of the Principal Sponsor or the PRC and without any notice to the individual so removed.

10.2.6. MAJORITY DECISIONS. If there shall at any time be three (3) or more members of a committee serving hereunder who are qualified to perform a particular act, the same may be performed, on behalf of all, by a majority of those qualified, with or without the concurrence of the minority. No person who failed to join or concur in such act shall be held liable for the consequences thereof, except to the extent that liability is imposed under ERISA.

10.3. LIMITATION ON AUTHORITY.

10.3.1. FIDUCIARIES GENERALLY. No action taken by any fiduciary, if authority to take such action has been delegated or re delegated to it, shall be the responsibility of any other fiduciary except as may be required by the provisions of ERISA. Except to the extent imposed by ERISA, no fiduciary shall have the duty to question whether any other fiduciary is fulfilling all of the responsibility imposed upon such other fiduciary under the Plan Document or by ERISA.

10.3.2. TRUSTEE. The responsibilities and obligations of the Trustee shall be strictly limited to those set forth in the agreement entitled "Imation Cash Balance Pension Trust Agreement" or any successor document. The Trustee shall have no authority or duty to determine or enforce payment of any Employer contribution under the Plan or to determine the existence, nature or extent of any individual's rights in the Fund or under the Plan or question any determination made by the Principal Sponsor or the committees regarding the same. Nor shall the Trustee be responsible in any way for the manner in which the Principal Sponsor, the Employer, the PRC, or the PRAC carry out their responsibilities under this Plan Document or, more generally, under the Plan.

10.4. CONFLICT OF INTEREST. If any officer or employee of the Employer, any member of the Board of Directors of the Principal Sponsor, any member of the PRC or the PRAC, or any Trustee to whom authority has been delegated or re delegated hereunder shall also be a Participant, Joint Annuitant or Beneficiary in the Plan, the individual shall have no authority as such officer, employee, member or Trustee with respect to any matter specially affecting his or her individual interest hereunder (as distinguished from the interests of all Participants, Joint Annuitants and Beneficiaries or a broad class of Participants, Joint Annuitants and Beneficiaries), all such authority being reserved exclusively to the other officers, employees, members or Trustees, as the case may be, to the exclusion of such Participant, Joint Annuitant or Beneficiary, and such Participant, Joint Annuitant or Beneficiary shall act only in his or her individual capacity in connection with any such matter.

10.5. DUAL CAPACITY. Individuals, firms, corporations or partnerships identified herein or delegated or allocated authority or responsibility hereunder may serve in more than one fiduciary capacity.

10.6. ADMINISTRATOR. The Principal Sponsor shall be the plan administrator for purposes of section 3(16)(A) of ERISA.

10.7. NAMED FIDUCIARIES. The PRC, PRAC, and the Trustee shall be named fiduciaries for the purpose of section 402(a) of ERISA.

10.8. SERVICE OF PROCESS. In the absence of any designation to the contrary by the PRC, the corporate secretary of the Principal Sponsor is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

10.9. ADMINISTRATIVE EXPENSES. The reasonable expenses of administering the Plan shall be payable out of the Fund except to the extent that the Employer, in its discretion, directly pays the expenses.

10.10. IRS QUALIFICATION - TYPE OF PLAN. This Plan is intended to qualify under section 401(a) of the Code as a defined-benefit pension plan (and not as a defined-contribution plan).

SECTION 11

IN GENERAL

11.1. DISCLAIMERS.

11.1.1. EFFECT ON EMPLOYMENT. Neither the terms of this Plan Document nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee, and the Employer shall not be obliged to continue the Plan. The terms of this Plan Document shall not give any employee the right to be retained in the employment of the Employer.

11.1.2. SOLE SOURCE OF BENEFITS. Neither the Employer nor any of its officers or employees nor any member of its board of directors nor any member of the PRC or the PRAC nor the Trustee in any way guarantee the Fund against loss or depreciation, nor do they guarantee the payment of any benefit or amount which may become due and payable hereunder to any Participant, Joint Annuitant, Beneficiary or other person. Each Participant, Joint Annuitant, Beneficiary or other person entitled at any time to payments hereunder shall look solely to the assets of the Fund for such payments. If a Vested Accrued Benefit shall have been distributed to a former Participant, Joint Annuitant, Beneficiary or any other person entitled jointly to the receipt thereof (or shall have been transferred to the trustee of another tax-qualified deferred compensation plan), such former Participant, Joint Annuitant, Beneficiary or other person, as the case may be, shall have no further right or interest in the other assets of the Fund.

11.1.3. CO-FIDUCIARY MATTERS. Neither the Employer nor any of its officers or employees nor any member of its board of directors nor any member of the PRC or the PRAC shall in any manner be liable to any Participant, Joint Annuitant, Beneficiary or other person for any act or omission of the Trustee (except to the extent that liability is imposed under ERISA). Neither the Employer nor any of its officers or employees nor any member of its board of directors nor any member of the PRC or the PRAC nor the Trustee shall be under any liability or responsibility (except to the extent that liability is imposed under ERISA) for failure to effect any of the objectives or purposes of the Plan by reason of loss or fluctuation in the value of Fund or for the form, genuineness, validity, sufficiency or effect of any Fund asset at any time held hereunder, or for the failure of any person, firm or corporation indebted to the Fund to pay such indebtedness as and when the same shall become due or for any delay occasioned by reason of any applicable law, order or regulation or by reason of any restriction or provision contained in any security or other asset held by the Fund. Except as is otherwise provided in ERISA, the Employer and its officers, employees, the members of its board of directors, the members of the PRC or the PRAC, the Trustee and other fiduciaries shall not be liable for an act or omission of another person with regard to a fiduciary responsibility that has been allocated to or delegated in whole or in part to such other person pursuant to the terms of this Plan Document or pursuant to procedures set forth in this Plan Document.

11.2. REVERSION OF FUND PROHIBITED. The Fund shall at all times be a trust fund separate and apart from the assets of the Employer, and no part thereof shall be or become available to the Employer or to creditors of the Employer under any

circumstances other than those specified in Sections 7.2 and 8.3 and Appendix A to this Plan Document. It shall be impossible for any part of the corpus or income of the Fund to be used for, or diverted to, purposes other than for the exclusive benefit of Participants, Joint Annuitants and Beneficiaries (except as hereinbefore provided).

11.3. CONTINGENT TOP HEAVY PLAN RULES. The rules set forth in Appendix B to this Plan Document (concerning additional provisions that apply if the Plan becomes top heavy) are incorporated herein.

APPENDIX A

LIMITATION ON BENEFITS

SECTION 1

INTRODUCTION

Terms defined in the Plan Document shall have the same meanings when used in this Appendix. In addition, when used in this Appendix, the following terms shall have the following meanings:

1.1. ANNUAL ADDITION. Annual addition means, with respect to any Participant for a limitation year, the sum of:

- (i) all employer contributions (including employer contributions of the Participant's earnings reductions under section 401(k), section 403(b) and section 408(k) of the Code) allocable as of a date during such limitation year to the Participant under all defined contribution plans;
- (ii) all forfeitures allocable as of a date during such limitation year to the Participant under all defined contribution plans; and
- (iii) all Participant contributions made as of a date during such limitation year to all defined contribution plans.

1.1.1. SPECIFIC INCLUSIONS. With regard to a plan which contains a qualified cash or deferred arrangement or matching contributions or employee contributions, excess deferrals and excess contributions and excess aggregate contributions (whether or not distributed during or after the limitation year) shall be considered annual additions in the year contributed.

1.1.2. SPECIFIC EXCLUSIONS. The annual addition shall not, however, include any portion of a Participant's rollover contributions or any additions to accounts attributable to a plan merger or a transfer of plan assets or liabilities or any other amounts excludable under law.

1.1.3. ESOP RULES. In the case of an employee stock ownership plan within the meaning of section 4975(e)(7) of the Code, annual additions shall not include any dividends or gains on sale of employer securities held by the employee stock ownership plan (regardless of whether such dividends or gains are (i) on securities which are allocated to Participants' accounts or (ii) on securities which are not allocated to Participants' accounts which, in the case of dividends used to pay principal on an employee stock ownership plan loan, result in employer securities being allocated to Participants' accounts or, in the case of a sale, result in sale proceeds being allocated to Participants' accounts). In the case of an employee stock ownership plan under which no more than one-third (1/3rd) of the employer contributions for a limitation year which are deductible under section 404(a)(9) of the Code are allocated to highly compensated employees (as defined in section 414(q) of the Code), annual

additions shall not include forfeitures of employer securities under the employee stock ownership plan if such securities were acquired with the proceeds of an exempt loan or employer contributions to the employee stock ownership plan which are deductible by the employer under section 404(a)(9)(B) of the Code and charged against the Participant's account (i.e., interest payments).

1.2. ANNUAL BENEFIT. Annual benefit means a retirement benefit under a defined benefit plan which is payable annually in the form of a straight life annuity.

1.2.1. FIXED LIFE ONLY ANNUITY. Except as provided below, a benefit payable in a form other than a fixed life only annuity will be adjusted to the actuarial equivalent straight life annuity before applying the limitations of this Appendix. To determine this actuarial equivalent, the interest rate assumption shall be the greater of the interest rate specified in the defined benefit plan's Plan Document or five percent (5%) and the mortality assumption shall be that specified in the defined benefit plan's Plan Document (except that no mortality assumption shall be used for the Imation Retirement Plan for ages before 62).

1.2.2. EXCLUDED CONTRIBUTIONS. The annual benefit does not include any benefits attributable to employee contributions, rollover contributions or the assets transferred from a qualified plan that was not maintained by a controlled group member.

1.2.3. ANCILLARY BENEFITS. No actuarial adjustment to the annual benefit is required for: (i) the value of a qualified joint and survivor annuity (to the extent such value exceeds the sum of the value of a fixed life only annuity beginning on the same date and the value of post-retirement death benefits that would be paid even if the annuity were not in the form of a joint and survivor annuity), or (ii) the value of benefits that are not directly related to retirement benefits (such as a pre-retirement disability benefit, a pre-retirement death benefit or a post-retirement medical benefit), or (iii) the value of post-retirement cost-of-living increases made in accordance with regulations under the Code.

1.3. CONTROLLED GROUP MEMBER. Controlled group member means the Employer and each member of a controlled group of corporations (as defined in section 414(b) of the Code and as modified by section 415(h) of the Code), all commonly controlled trades or businesses (as defined in section 414(c) of the Code and as modified by section 415(h) of the Code), affiliated service groups (as defined in section 414(m) of the Code) of which the Employer is a part and other organizations required to be aggregated for this purpose under section 414(o) of the Code.

1.4. DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS. Defined benefit plan and defined contribution plan have the meanings assigned to those terms by section 415(k)(1) of the Code. Whenever reference is made to defined benefit plans and defined contribution plans in this Appendix, it shall include all such plans maintained by the Employer and all controlled group members.

1.5. DEFINED BENEFIT FRACTION.

1.5.1. GENERAL RULE. Defined benefit fraction means a fraction the numerator of which is the sum of the Participant's projected annual benefits under all defined benefit plans determined as of the close of the limitation year, and the denominator of which is the lesser of:

- (i) one hundred twenty-five percent (125%) of the dollar limitation in effect under section 415(b)(1)(A) of the Code as of the close of such limitation year (i.e., 125% of \$90,000 as adjusted for cost of living, commencement dates, length of service and other factors), or
- (ii) one hundred forty percent (140%) of the dollar amount which may be taken into account under section 415(b)(1)(B) of the Code with respect to such Participant as of the close of such limitation year (i.e., 140% of the Participant's

highest average compensation as adjusted for cost of living, length of service and other factors).

1.5.2. TRANSITION RULE. Notwithstanding the above, if the Participant was a participant as of the first day of the first limitation year beginning after December 31, 1986, in one or more defined benefit plans which were in existence on May 6, 1986, the denominator of this fraction will not be less than one hundred twenty-five percent (125%) of the sum of the annual benefits under such plans which the Participant had accrued as of the close of the last limitation year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the Plan after May 5, 1986. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfied the requirements of section 415 of the Code for all limitation years beginning before January 1, 1987.

1.6. DEFINED CONTRIBUTION FRACTION.

1.6.1. GENERAL RULE. Defined contribution fraction means a fraction the numerator of which is the sum of the Participant's annual additions (including Employer contributions which are allocated to a separate account established for the purpose of providing medical benefits or life insurance benefits with respect to a key employee (as defined in Appendix B) under a welfare benefit fund or individual medical account) as of the close of the limitation year and for all prior limitation years, and the denominator of which is the sum of the amounts determined under paragraph (i) or (ii) below, whichever is the lesser, for such limitation year and for each prior limitation year in which the Participant had any service with the employer (regardless of whether that or any other defined contribution plan was in existence during those years or continues in existence):

- (i) one hundred twenty-five percent (125%) of the dollar limitation in effect under section 415(c)(1)(A) of the Code for such limitation year determined without regard to section 415(c)(6) of the Code (i.e., 125% of \$30,000 as adjusted for cost of living), or
- (ii) one hundred forty percent (140%) of the dollar amount which may be taken into account under section 415(c)(1)(B) of the Code with respect to such individual under the Plan for such limitation year (i.e., 140% of 25% of the Participant's ss. 415 compensation for such limitation year).

1.6.2. TEFRA TRANSITION RULE. The Employer may elect that the amount taken into account for each Participant for all limitation years ending before January 1, 1983, under Section 1.6.1(i) and Section 1.6.1(ii) shall be determined pursuant to the special transition rule provided in section 415(e)(6) of the Code.

1.6.3. EMPLOYEE CONTRIBUTIONS. Notwithstanding the definition of "annual additions", for the purpose of determining the defined contribution fraction in limitation years beginning before January 1, 1987, employee contributions shall not be taken into account to the extent that they were not required to be taken into account under section 415 of the Code prior to the Tax Reform Act of 1986.

1.6.4. ANNUAL DENOMINATOR. The amounts to be determined under Section 1.6.1(i) and Section 1.6.1(ii) for the limitation year and for all prior limitation years in which the Participant had any service with the employer shall be determined separately for each such limitation year on the basis of which amount is the lesser for each such limitation year.

1.6.5. RELEVANT LAW. For all limitation years ending before January 1, 1976, the dollar limitation under section 415(c)(1)(A) of the Code is

Twenty-five Thousand Dollars (\$25,000). For limitation years ending after December 31, 1975, and before January 1, 1993, the amount shall be:

For limitation years ending during:	The ss. 415(c) (1) (A) dollar amount is:
1976	\$26,825
1977	\$28,175
1978	\$30,050
1979	\$32,700
1980	\$36,875
1981	\$41,500
1982	\$45,475
1983-1992	\$30,000

1.6.6. RELIEF RULE. If the Participant was a participant as of the end of the first day of the first limitation year beginning after December 31, 1986, in one or more defined contribution plans which were in existence on May 6, 1986, the numerator of this fraction will be adjusted if the sum of this fraction and the defined benefit fraction would otherwise exceed one (1.0) under the terms of this Plan Document. Under the adjustment, an amount equal to the product of the excess of the sum of the fractions over one (1.0), times the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last limitation year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the plan made after May 6, 1986, but using the section 415 limitations applicable to the first limitation year beginning on or after January 1, 1987.

1.7. HIGHEST AVERAGE COMPENSATION. Highest average compensation means the average ss. 415 compensation for the three (3) consecutive years of service with the controlled group members that produce the highest average. A year of service with the controlled group members is the Plan Year.

1.8. INDIVIDUAL MEDICAL ACCOUNT. Individual medical account means an account, as defined in section 415(1)(2) of the Code maintained by the Employer or a controlled group member which provides an annual addition.

1.9. LIMITATION YEAR. The limitation year shall be the calendar year.

1.10. MAXIMUM PERMISSIBLE BENEFIT.

1.10.1. GENERAL RULE. The maximum permissible annual benefit is the lesser of:

- (i) Ninety Thousand Dollars (\$90,000), or
- (ii) the Participant's highest average compensation.

1.10.2. EARLY COMMENCEMENT. If the annual benefit commences before the social security retirement age, the maximum permissible benefit may not exceed the lesser of the actuarial equivalent of a Ninety Thousand Dollar (\$90,000) annual benefit beginning at the social security retirement age or the Participant's highest average compensation. To determine this actuarial equivalent, the interest rate assumption shall be the greater of the rate specified in the Appendix D to the Plan Document or five percent (5%) and the mortality assumption shall be that specified in the Appendix D to the Plan Document (except that no mortality assumption shall be used for the Imation Retirement Plan for ages before 62).

1.10.3. LATE COMMENCEMENT. If the annual benefit commences after the social security retirement age, the benefit may not exceed the lesser of the actuarial equivalent of a Ninety Thousand Dollar (\$90,000) annual benefit beginning at the social security retirement age or the Participant's highest average compensation. To determine this actuarial equivalent, the interest rate assumption shall be the lesser of the rate specified in the Appendix D to the Plan Document or five percent (5%) and the mortality assumption shall be that specified in the Appendix D to the Plan Document.

1.10.4. COST-OF-LIVING ADJUSTMENTS. Effective on January 1, 1988, and each January 1 thereafter, the Ninety Thousand Dollar (\$90,000) limit and the highest average compensation limit (for Participants who have separated from service) shall be adjusted automatically for increases in the cost of

living by the Secretary of the Treasury. The new amounts will apply to limitation years ending within such calendar year.

1.10.5. PARTICIPATION REDUCTION. If a Participant has less than ten (10) years of participation in the Plan, the Ninety Thousand Dollar (\$90,000) limit otherwise defined and adjusted above (but not the highest average compensation limit) shall be reduced to an amount equal to ninety thousand dollars (\$90,000) as otherwise defined and adjusted above multiplied by a fraction:

- (i) the numerator of which is the number of years (and part thereof) of participation, and
- (ii) the denominator of which is ten (10).

1.10.6. SERVICE REDUCTION. If a Participant has less than ten (10) years of service with the controlled group members, the highest average compensation limit otherwise defined and adjusted above (but not the Ninety Thousand Dollar limit) shall be reduced to an amount equal to the highest average compensation limit as otherwise defined and adjusted above multiplied by a fraction:

- (i) the numerator of which is the number of years (and part thereof) of service, and
- (ii) the denominator of which is ten (10).

1.11. PROJECTED ANNUAL BENEFIT. Projected annual benefit means the annual benefit payable to the Participant at his or her normal retirement age (as defined in the defined benefit plan) adjusted to an actuarially equivalent fixed life only annuity form (or, if it would be a lesser amount, to any actuarially equivalent qualified joint and survivor annuity form that is available under the defined benefit plan) assuming that:

- (i) the Participant continues employment and participation under the defined benefit plan until his or her normal retirement age (as defined in the defined benefit plan) or, if later, until his or her current age, and
- (ii) the Participant's ss. 415 compensation and all other factors used to determine annual benefits under the defined benefit plan remain unchanged for all future limitation years.

1.12. SECTION 415 COMPENSATION. Section 415 compensation (sometimes, "ss. 415 compensation") shall mean, with respect to any limitation year, the wages, tips and other compensation paid to the Participant by the Employer and reportable in the box designated "wages, tips, other compensation" on Treasury Form W-2 (or any comparable successor box or form) for the limitation year but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in section 3401(a)(2) of the Code). For limitation years beginning after December 31, 1991, ss. 415 compensation shall be determined on a cash basis.

1.13. SOCIAL SECURITY RETIREMENT AGE. Social security retirement age means the age used as retirement age under section 216(1) of the Social Security Act except that such section shall be applied (i) without regard to the age increase factor, and (ii) as if the early retirement age under section 216(1)(2) of the Social Security Act were age sixty-two (62) years.

1.14. WELFARE BENEFIT FUND. Welfare benefit fund means a fund as defined in section 419(e) of the Code which provides post-retirement medical benefits allocated to separate accounts for key employees as defined in section

SECTION 2

DEFINED BENEFIT LIMITATION

Notwithstanding anything to the contrary contained in the Plan Document, there shall not be accrued for the benefit of any Participant for any limitation year an amount which would cause the annual benefit for such Participant to exceed the maximum permissible benefit.

SECTION 3

COMBINED PLANS LIMITATION

Notwithstanding anything to the contrary contained in the Plan Document, if the Participant participates in both a defined benefit plan and a defined contribution plan, the sum of the defined benefit fraction and the defined contribution fraction shall not exceed one (1) at the close of any limitation year.

SECTION 4

REMEDIAL ACTION

4.1. DEFINED BENEFIT PLANS ONLY. If the Participant's annual benefit would exceed the maximum permissible benefit, the Plan shall cease the accrual of benefits or reduce benefits previously accrued so that such annual benefit shall not exceed the maximum permissible amount. It is specifically intended that such remedial action as may be necessary to prevent an annual benefit from exceeding the maximum permissible amount in a limitation year shall be made in defined benefit plans as follows:

- (i) if the Participant is accruing benefits in only this Plan during such limitation year, all such cessations and reductions shall be made in this Plan; and
- (ii) to the extent that such cessations and reductions are not adequate and the Participant has accrued benefits in one or more other defined benefit plans in earlier limitation years, such cessations and reduction of accrued benefits under other plans shall be made in chronological order as determined by the effective date of each plan (using the original effective date of the plan) beginning with the most recently established plan; and
- (iii) if the Participant is concurrently accruing benefits in this Plan and one or more other defined benefit plans during such limitation year, such cessations and reductions of accrued benefits under this Plan and all other plans shall be made in chronological order as determined by the effective date of each plan (using the original effective date of the plan) beginning with the most recently established plan.

4.2. COMBINED DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS. If the combination of benefits under all defined contribution plans and all defined benefit plans would exceed the limits described above which are applicable to a combination of

defined benefit and defined contribution plans, then such Participant shall not be entitled to the accrual of any benefits under such defined benefit plans to the extent it would cause such combination of plans to exceed the limits hereinabove described. If such reduction or curtailment of the accrual of future benefits under the defined benefit plans and the cancellation of previously accrued benefits is not adequate to eliminate an excess under the combination-of-plans rule, then annual additions to the defined contribution plans shall be reduced. It is specifically intended that the Employer shall cause the reduction or elimination of future accruals and the cancellation of previously accrued benefits under all defined benefit plans (other than terminated defined benefit plans) to occur in the sequence specified in Section 4.1 before any reduction of annual additions to defined contribution plans.

APPENDIX B

CONTINGENT TOP HEAVY PLAN RULES

Notwithstanding any of the foregoing provisions of the Plan Statement, if, after applying the special definitions set forth in Section 1 of this Appendix, this Plan is determined under Section 2 of this Appendix to be a top heavy plan for a Plan Year, then the special rules set forth in Section 3 of this Appendix shall apply. For so long as this Plan is not determined to be a top heavy plan, the special rules in Section 3 of this Appendix shall be inapplicable to this Plan.

SECTION 1

SPECIAL DEFINITIONS

Terms defined in the Plan Statement shall have the same meanings when used in this Appendix. In addition, when used in this Appendix, the following terms shall have the following meanings:

1.1. AGGREGATED EMPLOYERS. Aggregated employers means the Employer and each other corporation, partnership or proprietorship which is a "predecessor" to the Employer, or is under "common control" with the Employer, or is a member of an "affiliated service group" that includes the Employer, as those terms are defined in section 414(b), (c), (m) or (o) of the Code.

1.2. AGGREGATION GROUP. Aggregation group means a grouping of this Plan and:

- (a) if any Participant in the Plan is a key employee, each other qualified pension, profit sharing or stock bonus plan of the aggregated employers in which a key employee is a Participant (and for this purpose, a key employee shall be considered a Participant only during periods when he is actually accruing benefits and not during periods when he has preserved accrued benefits attributable to periods of participation when he was not a key employee), and
- (b) each other qualified pension, profit sharing or stock bonus plan of the aggregated employers which is required to be taken into account for this Plan or any plan described in paragraph (a) above to satisfy the qualification requirements under section 410 or section 401(a)(4) of the Code, and
- (c) each other qualified pension, profit sharing or stock bonus plan of the aggregated employers which is not included in paragraph (a) or (b) above, but which the Employer elects to include in the aggregation group and which, when included, would not cause the aggregation group to fail to satisfy the qualification requirements under section 410 or section 401(a)(4) of the Code.

1.3. COMPENSATION. Unless the context clearly requires otherwise, compensation means the wages, tips and other compensation paid to the Participant by the Employer and reportable in the box designated "wages, tips, other compensation" on Treasury Form W-2 (or any comparable successor box or form) for the applicable period but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment

or the services performed (such as the exception for agricultural labor in section 3401(a)(2) of the Code). In determining compensation there shall be included elective contributions made by the Employer on behalf of the Participant that are not includible in gross income under sections 125, 402(e)(3), 402(h), 403(b), 414(h)(2) and 457 of the Code including elective contributions authorized by the Participant under a cafeteria plan or any qualified cash or deferred arrangement under section 401(k) of the Code. For the purposes of this Appendix (excluding Section 1.6 of this Appendix), compensation shall be limited to Two Hundred Thousand Dollars (\$200,000) (as adjusted under the Code for cost of living increases) for Plan Years beginning before January 1, 1994, and One Hundred and Fifty Thousand Dollars (\$150,000) (as so adjusted) for Plan Years beginning after December 31, 1993.

1.4. DETERMINATION DATE. Determination date means, for the first (1st) Plan Year of a plan, the last day of such first (1st) Plan Year, and for each subsequent Plan Year, the last day of the immediately preceding Plan Year.

1.5. FIVE PERCENT OWNER. Five percent owner means for each aggregated employer that is a corporation, any person who owns (or is considered to own within the meaning of the shareholder attribution rules) more than five percent (5%) of the value of the outstanding stock of the corporation or stock possessing more than five percent (5%) of the total combined voting power of the corporation, and, for each aggregated employer that is not a corporation, any person who owns more than five percent (5%) of the capital interest or the profits interest in such aggregated employer. For the purposes of determining ownership percentages, each corporation, partnership and proprietorship otherwise required to be aggregated shall be viewed as a separate entity.

1.6. KEY EMPLOYEE. Key employee means each Participant (whether or not then an employee) who at any time during a Plan Year (or any of the four preceding Plan Years) is:

- (a) an officer of any aggregated employer (excluding persons who have the title of an officer but not the authority and including persons who have the authority of an officer but not the title) having an annual compensation from all aggregated employers for any such Plan Year in excess of fifty percent (50%) of the amount in effect under section 415(b)(1)(A) of the Code for any such Plan Year, or
- (b) one (1) of the ten (10) employees (not necessarily Participants) owning (or considered to own within the meaning of the shareholder attribution rules) both more than one-half of one percent (1/2%) ownership interest in value and the largest percentage ownership interests in value of any of the aggregated employers (which are owned by employees) and who has an annual compensation from all the aggregated employers in excess of the limitation in effect under section 415(c)(1)(A) of the Code for any such Plan Year, or
- (c) a five percent owner, or
- (d) a one percent owner having an annual compensation from the aggregated employers of more than One Hundred Fifty Thousand Dollars (\$150,000);

provided, however, that no more than fifty (50) employees (or, if lesser, the greater of three of all the aggregated employers' employees or ten percent of all the aggregated employers' employees) shall be treated as officers. For the purposes of determining ownership percentages, each corporation, partnership and proprietorship otherwise required to be aggregated shall be viewed as a separate entity. For purposes of paragraph (b) above, if two (2) employees have the same interest in any of the aggregated employers, the employee having the greatest annual compensation from that aggregated employer shall be treated as having a larger interest. For the purpose of determining compensation, however, all compensation received from all aggregated employers shall be taken into account. The term "key employee" shall include the beneficiaries of a deceased key employee.

1.7. ONE PERCENT OWNER. One percent owner means, for each aggregated employer that is a corporation, any person who owns (or is considered to own within the meaning of the shareholder attribution rules) more than one percent (1%) of the

value of the outstanding stock of the corporation or stock possessing more than one percent (1%) of the total combined voting power of the corporation, and, for each aggregated employer that is not a corporation, any person who owns more than one percent (1%) of the capital or the profits interest in such aggregated employer. For the purposes of determining ownership percentages, each corporation, partnership and proprietorship otherwise required to be aggregated shall be viewed as a separate entity.

1.8. SHAREHOLDER ATTRIBUTION RULES. Shareholder attribution rules means the rules of section 318 of the Code, (except that subparagraph (C) of section 318(a)(2) of the Code shall be applied by substituting "5 percent" for "50 percent") or, if the Employer is not a corporation, the rules determining ownership in such Employer which shall be set forth in regulations prescribed by the Secretary of the Treasury.

1.9. TOP HEAVY AGGREGATION GROUP. Top heavy aggregation group means any aggregation group for which, as of the determination date, the sum of:

- (i) the present value of the cumulative accrued benefits for key employees under all defined benefit plans included in such aggregation group, and
- (ii) the aggregate of the accounts of key employees under all defined contribution plans included in such aggregation group,

exceed sixty percent (60%) of a similar sum determined for all employees. In applying the foregoing, the following rules shall be observed:

- (a) For the purpose of determining the present value of the cumulative accrued benefit for any employee under a defined benefit plan, or the amount of the account of any employee under a defined contribution plan, such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the five (5) year period ending on the determination date.
- (b) Any rollover contribution (or similar transfer) initiated by the employee, made from a plan maintained by one employer to a plan maintained by another employer and made after December 31, 1983, to a plan shall not be taken into account with respect to the transferee plan for the purpose of determining whether such transferee plan is a top heavy plan (or whether any aggregation group which includes such plan is a top heavy aggregation group). Any rollover contribution (or similar transfer) not described in the preceding sentence shall be taken into account with respect to the transferee plan for the purpose of determining whether such transferee plan is a top heavy plan (or whether any aggregation group which includes such plan is a top heavy aggregation group).
- (c) If any individual is not a key employee with respect to a plan for any Plan Year, but such individual was a key employee with respect to a plan for any prior Plan Year, the cumulative accrued benefit of such employee and the account of such employee shall not be taken into account.
- (d) The determination of whether a plan is a top heavy plan shall be made once for each Plan Year of the plan as of the determination date for that Plan Year.
- (e) In determining the present value of the cumulative accrued benefits of employees under a defined benefit plan, the determination shall be made as of the actuarial valuation date last occurring during the twelve (12) months preceding the determination date and shall be determined on the assumption that the employees terminated employment on the valuation date except as provided in section 416 of the Code and the

regulations thereunder for the first and second Plan Years of a defined benefit plan. The accrued benefit of any employee (other than a key employee) shall be determined under the method which is used for accrual purposes for all plans of the employer or if there is no method which is used for accrual purposes under all plans of the employer, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under section 411(b)(1)(C) of the Code. In determining this present value, the mortality and interest assumptions shall be those which would be used by the Pension Benefit Guaranty Corporation in valuing the defined benefit plan if it terminated on such valuation date. The accrued benefit to be valued shall be the benefit expressed as a single life annuity.

- (f) In determining the accounts of employees under a defined contribution plan, the account values determined as of the most recent asset valuation occurring within the twelve (12) month period ending on the determination date shall be used. In addition, amounts required to be contributed under either the minimum funding standards or the plan's contribution formula shall be included in determining the account. In the first year of the plan, contributions made or to be made as of the determination date shall be included even if such contributions are not required.
- (g) If any individual has not performed any services for any employer maintaining the plan at any time during the five (5) year period ending on the determination date, any accrued benefit of the individual under a defined benefit plan and the account of the individual under a defined contribution plan shall not be taken into account.
- (h) For this purpose, a terminated plan shall be treated like any other plan and must be aggregated with other plans of the employer if it was maintained within the last five (5) years ending on the determination date for the Plan Year in question and would, but for the fact that it terminated, be part of the aggregation group for such Plan Year.

1.10. TOP HEAVY PLAN. Top heavy plan means a qualified plan under which (as of the determination date):

- (i) if the plan is a defined benefit plan, the present value of the cumulative accrued benefits for key employees exceeds sixty percent (60%) of the present value of the cumulative accrued benefits for all employees, and
- (ii) if the plan is a defined contribution plan, the aggregate of the accounts of key employees exceeds sixty percent (60%) of the aggregate of all of the accounts of all employees.

In applying the foregoing, the following rules shall be observed:

- (a) Each plan of an Employer required to be included in an aggregation group shall be a top heavy plan if such aggregation group is a top heavy aggregation group.
- (b) For the purpose of determining the present value of the cumulative accrued benefit for any employee under a defined benefit plan, or the amount of the account of any employee under a defined contribution plan, such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the five (5) year

period ending on the determination date.

- (c) Any rollover contribution (or similar transfer) initiated by the employee, made from a plan maintained by one employer to a plan maintained by another employer and made after December 31, 1983, to a plan shall not be taken into account with respect to the transferee plan for the purpose of determining whether such transferee plan is a top heavy plan (or whether any aggregation group which includes such plan is a top heavy aggregation group). Any rollover contribution (or similar transfer) not described in the preceding sentence shall be taken into account with respect to the transferee plan for the purpose of determining whether such transferee plan is a top heavy plan (or whether any aggregation group which includes such plan is a top heavy aggregation group).
- (d) If any individual is not a key employee with respect to a plan for any Plan Year, but such individual was a key employee with respect to the plan for any prior Plan Year, the cumulative accrued benefit of such employee and the account of such employee shall not be taken into account.
- (e) The determination of whether a plan is a top heavy plan shall be made once for each Plan Year of the plan as of the determination date for that Plan Year.
- (f) In determining the present value of the cumulative accrued benefits of employees under a defined benefit plan, the determination shall be made as of the actuarial valuation date last occurring during the twelve (12) months preceding the determination date and shall be determined on the assumption that the employees terminated employment on the valuation date except as provided in section 416 of the Code and the regulations thereunder for the first and second Plan Years of a defined benefit plan. The accrued benefit of any employee (other than a key employee) shall be determined under the method which is used for accrual purposes for all plans of the employer or if there is no method which is used for accrual purposes under all plans of the employer, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under section 411(b)(1)(C) of the Code. In determining this present value, the mortality and interest assumptions shall be those which would be used by the Pension Benefit Guaranty Corporation in valuing the defined benefit plan if it terminated on such valuation date. The accrued benefit to be valued shall be the benefit expressed as a single life annuity.
- (g) In determining the accounts of employees under a defined contribution plan, the account values determined as of the most recent asset valuation occurring within the twelve (12) month period ending on the determination date shall be used. In addition, amounts required to be contributed under either the minimum funding standards or the plan's contribution formula shall be included in determining the account. In the first year of the plan, contributions made or to be made as of the determination date shall be included even if such contributions are not required.
- (h) If any individual has not performed any services for any employer maintaining the plan at any time during the five (5) year period ending on the determination date, any accrued benefit of the individual under a defined benefit plan and the account of the individual under a defined contribution plan shall not be taken into account.
- (i) For this purpose, a terminated plan shall be treated

like any other plan and must be aggregated with other plans of the employer if it was maintained within the last five (5) years ending on the determination date for the Plan Year in question and would, but for the fact that it terminated, be part of the aggregation group for such Plan Year.

SECTION 2

DETERMINATION OF TOP HEAVINESS

Once each Plan Year, as of the determination date for that Plan Year, the administrator of this Plan shall determine if this Plan is a top heavy plan.

SECTION 3

CONTINGENT PROVISIONS

3.1. WHEN APPLICABLE. If this Plan is determined to be a top heavy plan for any Plan Year, the following provisions shall apply for that Plan Year (and, to the extent hereinafter specified, for subsequent Plan Years), notwithstanding any provisions to the contrary in the Plan.

3.2. VESTING REQUIREMENT.

3.2.1. GENERAL RULE. During any Plan Year that the Plan is determined to be a Top Heavy Plan, then all accounts of all Participants in a defined contribution plan that is a top heavy plan and the accrued benefits of all Participants in a defined benefit plan that is a top heavy plan shall be vested and nonforfeitable in accordance with the following schedule if, and to the extent, that it is more favorable than other provisions of the Plan:

If the Participant Has Completed the Following Years of Vesting Service: -----	His Vested Percentage Shall Be: -----
Less than 2 years	0%
2 years but less than 3 years	20%
3 years but less than 4 years	40%
4 years but less than 5 years	60%
5 years but less than 6 years	80%
6 years or more	100%

3.2.2. SUBSEQUENT YEAR. In each subsequent Plan Year that the Plan is determined not to be a top heavy plan, the other nonforfeatability provisions of the Plan Statement (and not this section) shall apply in determining the vested and nonforfeitable rights of Participants who do not have five (5) or more years of Vesting Service (three or more years of Vesting Service for Participants who have one or more Hours of Service in any Plan Year beginning after December 31, 1988) as of the beginning of such subsequent Plan Year; provided, however, that they shall not be applied in a manner which would reduce the vested and nonforfeitable percentage of any Participant.

3.2.3. CANCELLATION OF BENEFIT SERVICE. If this Plan is a defined benefit plan and if the Participant's vested percentage is determined under this Appendix and if a Participant receives a lump sum distribution of the present value of the vested portion of his accrued benefit, the Plan shall:

- (a) thereafter disregard the Participant's service with respect to which he received such distribution in determining his accrued benefit, and
- (b) permit the Participant who receives a distribution of less than the present value of his entire accrued benefit to restore this service by repaying (after returning to employment covered under the Plan) to the trustee the amount of such distribution together with interest at the interest rate of five percent (5%) per annum compounded annually (or such other interest rate as is provided by law for such repayment). If the distribution was on account of separation from service such repayment must be made before the earlier of,
 - (i) five (5) years after the first date on

which the Participant is subsequently reemployed by the employer, or

- (ii) the close of the first period of five (5) consecutive one-year breaks in service commencing after the distribution.

If the distribution was on account of any other reason, such repayment must be made within five (5) years after the date of the distribution.

3.3. DEFINED CONTRIBUTION PLAN MINIMUM BENEFIT REQUIREMENT.

3.3.1. GENERAL RULE. If this Plan is a defined contribution plan, then for any Plan Year that this Plan is determined to be a top heavy plan, the Employer shall make a contribution for allocation to the account of each employee who is a Participant for that Plan Year and who is not a key employee in an amount (when combined with other Employer contributions and forfeited accounts allocated to his account) which is at least equal to three percent (3%) of such Participant's compensation. (This minimum contribution amount shall be further reduced by all other Employer contributions to this Plan or any other defined contribution plans.) This contribution shall be made for each Participant who has not separated from service with the Employer at the end of the Plan Year (including for this purpose any Participant who is then on temporary layoff or authorized leave of absence or who, during such Plan Year, was inducted into the Armed Forces of the United States from employment with the Employer) including, for this purpose, each employee of the Employer who would have been a Participant if he had: (i) completed one thousand (1,000) Hours of Service (or the equivalent) during the Plan Year, and (ii) made any mandatory contributions to the Plan, and (iii) earned compensation in excess of the stated amount required for participation in the Plan.

3.3.2. SPECIAL RULE. Subject to the following rules, the percentage referred to in Section 3.3.1 of this Appendix shall not exceed the percentage at which contributions are made (or required to be made) under this Plan for the Plan Year for that key employee for whom that percentage is the highest for the Plan Year.

- (a) The percentage referred to above shall be determined by dividing the Employer contributions for such key employee for such Plan Year by his compensation for such Plan Year.
- (b) For the purposes of this Section 3.3, all defined contribution plans required to be included in an aggregation group shall be treated as one (1) plan.
- (c) The exception contained in this Section 3.3.2 shall not apply to (be available to) this Plan if this Plan is required to be included in an aggregation group if including this Plan in an aggregation group enables a defined benefit plan to satisfy the qualification requirements of section 410 or section 401(a)(4) of the Code.

3.3.3. SALARY REDUCTION AND MATCHING CONTRIBUTIONS. For the purpose of this Section 3.3, all Employer contributions attributable to a salary reduction or similar arrangement shall be taken into account for the purpose of determining the minimum percentage contribution required to be made for a particular Plan Year for a Participant who is not a key employee but not for the purpose of determining whether that minimum contribution requirement has been satisfied. For the purpose of this Section 3.3 during all Plan Years beginning after December 31, 1988, all Employer matching contributions shall be taken into account for the purposes of determining the minimum percentage contribution required to be made for a particular Plan Year for a Participant who was not a key employee but not for the purpose of determining whether that minimum contribution requirement has been satisfied.

3.4. DEFINED BENEFIT PLAN MINIMUM BENEFIT REQUIREMENT.

3.4.1. GENERAL RULE. If this Plan is a defined benefit plan, then for any Plan Year that the Plan is determined to be a top heavy plan, the accrued benefit for each Participant who is not a key employee shall not be less than one-twelfth (1/12th) of the applicable percentage of the Participant's average compensation for years in the testing period.

3.4.2. SPECIAL RULES AND DEFINITIONS. In applying the general rule of Section 3.4.1 of this Appendix, the following special rules and definitions shall apply:

- (a) The term "applicable percentage" means the lesser of:
 - (1) two percent (2%) multiplied by the number of years of service with the Employer, or
 - (2) twenty percent (20%).
- (b) For the purpose of this Section 3.4, a Participant's years of service with the Employer shall be equal to the Participant's Vesting Service except that a year of Vesting Service shall not be taken into account if:
 - (1) the Plan was not a top heavy plan for any Plan Year ending during such year of Vesting Service, or
 - (2) such year of Vesting Service was completed in a Plan Year beginning before January 1, 1984.
- (c) A Participant's "testing period" shall be the period of five (5) consecutive years during which the Participant had the greatest compensation from the Employer; provided, however, that:
 - (1) the years taken into account shall be properly adjusted for years not included in a year of service, and
 - (2) a year shall not be taken into account if such year ends in a Plan Year beginning before January 1, 1984, or such year begins after the close of the last year in which the Plan was a top heavy plan.
- (d) An individual shall be considered a Participant for the purpose of accruing the minimum benefit only if such individual has at least one thousand (1,000) Hours of Service during a benefit accrual computation period (or equivalent service determined under Department of Labor regulations). Furthermore, such individual shall accrue a minimum benefit only for a benefit accrual computation period in which such individual has one thousand (1,000) Hours of Service (or equivalent service). An individual shall not fail to accrue the minimum benefit merely because the individual: (i) was not employed on a specified date, or (ii) was excluded from participation (or otherwise failed to accrue a benefit) because the individual's compensation was less than a stated amount, or (iii) because the individual failed to make any mandatory contributions.

3.4.3. ACCRUALS PRESERVED. In years subsequent to the last Plan Year in which this Plan is a top heavy plan, the other benefit accrual rules of the Plan Statement shall be applied to determine the accrued benefit of each Participant, except that the application of such other rules shall not serve to reduce a Participant's accrued benefit as determined under this Section 3.4.

3.5. PRIORITIES AMONG PLANS. In applying the minimum benefit provisions of this Appendix in any Plan Year that this Plan is determined to be a top heavy plan, the following rules shall apply:

- (a) If an employee participates only in this Plan, the employee shall receive the minimum benefit applicable to this Plan.

- (b) If an employee participates in both a defined benefit plan and a defined contribution plan and only one (1) of such plans is a top heavy plan for the Plan Year, the employee shall receive the minimum benefit applicable to the plan which is a top heavy plan.
- (c) If an employee participates in both a defined contribution plan and a defined benefit plan and both are top heavy plans, then the employee, for that Plan Year, shall receive the defined benefit plan minimum benefit unless for that Plan Year the employee has received employer contributions and forfeitures allocated to his account in the defined contribution plan in an amount which is at least equal to five percent (5%) of his compensation.
- (d) If an employee participates in two (2) or more defined contribution plans which are top heavy plans, then the employee, for that Plan Year, shall receive the defined contribution plan minimum benefit in that defined contribution plan which has the earliest original effective date.

3.6. ANNUAL CONTRIBUTION LIMITS.

3.6.1. GENERAL RULE. Notwithstanding anything apparently to the contrary in the Appendix A to the Plan Statement, for any Plan Year that this Plan is a top heavy plan, the defined benefit fraction and defined contribution fraction of the Appendix to the Plan Statement pertaining to limits under section 415 of the Code shall be one hundred percent (100%) and not one hundred twenty-five percent (125%).

3.6.2. SPECIAL RULE. Section 3.6.1 of this Appendix shall not apply to any top heavy plan if such top heavy plan satisfies the following requirements:

- (a) MINIMUM BENEFIT REQUIREMENT. The top heavy plan (and any plan required to be included in an aggregation group with such plan) satisfies the requirements of Section 3.4 of this Appendix when Section 3.4.2(a)(1) of this Appendix is applied by substituting three percent (3%) for two percent (2%) and by increasing (but by no more than ten percentage points) twenty percent (20%) by one percentage point for each year for which the plan was taken into account under this Section 3.7. Section 3.3.1 of this Appendix shall be applied by substituting "four percent (4%)" for "three percent (3%)." Section 3.5(c) of this Appendix shall be applied by substituting "seven and one-half percent (7-1/2%)" for "five percent (5%)."
- (b) NINETY PERCENT RULE. A top heavy plan would not be a top heavy plan if "ninety percent (90%)" were substituted for "sixty percent (60%)" each place that it appears in the definitions of top heavy plan and top heavy aggregation group.

3.6.3. TRANSITION RULE. If, but for this Section 3.6.3, Section 3.6.1 of this Appendix would begin to apply with respect to this Plan because it is a top heavy plan, the application of Section 3.6.1 of this Appendix shall be suspended with respect to any individual so long as there are no:

- (a) employer contributions, forfeitures or voluntary nondeductible contributions allocated to such individual (if this Plan is a defined contribution plan), or
- (b) accruals for such individual (if this Plan is a defined benefit plan).

3.6.4. COORDINATING CHANGE. If this Plan is a top heavy plan for any Plan Year, then for purposes of the Appendix A to the Plan Statement, section 415(e)(6)(i) of the Code shall be applied by substituting "Forty-one

Thousand Five Hundred Dollars (\$41,500)" for "Fifty-one Thousand Eight Hundred Seventy-five Dollars (\$51,875)."

3.7. BARGAINING UNITS. The requirements of Section 3.2 through Section 3.6 of this Appendix shall not apply with respect to any employee included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one (1) or more employers if there is evidence that retirement benefits are the subject of good faith bargaining between such employee representatives and such employer or employers.

APPENDIX C

QUALIFIED DOMESTIC RELATIONS ORDERS

SECTION 1

GENERAL MATTERS

Terms defined in the Plan Document shall have the same meanings when used in this Appendix.

1.1. GENERAL RULE. The Plan shall not honor the creation, assignment or recognition of any right to any benefit payable with respect to a Participant pursuant to a domestic relations order unless that domestic relations order is a qualified domestic relations order.

1.2. ALTERNATE PAYEE DEFINED. The only persons eligible to be considered alternate payees with respect to a Participant shall be that Participant's spouse, former spouse, child or other dependent.

1.3. DRO DEFINED. A domestic relations order (DRO") is any judgment, decree or order (including an approval of a property settlement agreement) which relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child or other dependent of a Participant and which is made pursuant to a state domestic relations law (including a community property law).

1.4. QDRO DEFINED. A qualified domestic relations order (QDRO") is a domestic relations order which creates or recognizes the existence of an alternate payee's right to (or assigns to an alternate payee the right to) receive all or a portion of the Account Balance of a Participant under the Plan and which satisfies all of the following requirements.

1.4.1. NAMES AND ADDRESSES. The order must clearly specify the name and the last known mailing address, if any, of the Participant and the name and mailing address of each alternate payee covered by the order.

1.4.2. AMOUNT. The order must clearly specify the amount or percentage of the Participant's Account Balance to be paid by the Plan to each such alternate payee or the manner in which such amount or percentage is to be determined.

1.4.3. PAYMENT METHOD. The order must clearly specify the number of payments or period to which the order applies.

1.4.4. PLAN IDENTITY. The order must clearly specify that it applies to this Plan.

1.4.5. SETTLEMENT OPTIONS. Except as provided in Section 1.4.8 of this Appendix, the order may not require the Plan to provide any type or form of benefits or any option not otherwise provided under the Plan.

1.4.6. INCREASED BENEFITS. The order may not require the Plan to provide increased benefits.

1.4.7. PRIOR AWARDS. The order may not require the payment of benefits to an alternate payee which are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order.

1.4.8. EXCEPTIONS. The order will not fail to meet the requirements of Section 1.4.5 of this Appendix if:

- (a) The order requires payment of benefits be made to an alternate payee before the Participant has separated from service but as of a date that is on or after the date on which the Participant attains (or would have attained) the earliest payment date described in Section 1.4.10 of this Appendix; and
- (b) The order requires that payment of benefits be made to an alternate payee as if the Participant had retired on the date on which payment is to begin under such order (but taking into account only the present value of benefits actually accrued); and
- (c) The order requires payment of benefits to be made to an alternate payee in any form in which benefits may be paid under the Plan to the Participant (other than in the form of a joint and survivor annuity with respect to the alternate payee and his or her subsequent spouse).

In lieu of the foregoing, the order will not fail to meet the requirements of Section 1.4.5 of this Appendix if the order: (1) requires that payment of benefits be made to an alternate payee in a single lump sum as soon as is administratively feasible after the order is determined to be a qualified domestic relations order, and (2) does not contain any of the provisions described in Section 1.4.9 of this Appendix, and (3) provides that the payment of such single lump sum fully and permanently discharges all obligations of the Plan to the alternate payee.

1.4.9. DEEMED SPOUSE. Notwithstanding the foregoing:

- (a) The order may provide that the former spouse of a Participant shall be treated as a surviving spouse of such Participant for the purposes of Sections 4 and 5 of the Plan Document (and that any subsequent or prior spouse of the Participant shall not be treated as a spouse of the Participant for such purposes), and
- (b) The order may provide that, if the former spouse has been married to the Participant for at least one (1) year at any time, the surviving former spouse shall be deemed to have been married to the Participant for the one (1) year period ending on the date of the Participant's death.

1.4.10. PAYMENT DATE DEFINED. For the purpose of Section 1.4.8 of this Appendix, the earliest payment date means the earlier of:

- (a) The date on which the Participant is entitled to a distribution under the Plan; or
- (b) The later of (i) the date the Participant attains age fifty (50) years, or (ii) the earliest date on which the Participant could begin receiving benefits under the Plan if the Participant separated from service.

SECTION 2

PROCEDURES

2.1. ACTIONS PENDING REVIEW. During any period when the issue of whether a domestic relations order is a qualified domestic relations order is being determined by the PRAC, the PRAC may cause the Plan to segregate the amounts which would be payable to the alternate payee during such period if the order were determined to be a qualified domestic relations order.

2.2. REVIEWING DROS. Upon the receipt of a domestic relations order, the PRAC or its delegee shall determine whether such order is a qualified domestic relations order.

2.2.1. RECEIPT. A domestic relations order shall be considered to have been received only when the PRAC shall have received a copy of a domestic relations order which is complete in all respects and is originally signed, certified or otherwise officially authenticated.

2.2.2. NOTICE TO PARTIES. Upon receipt of a domestic relations order, the PRAC shall notify the Participant and all persons claiming to be alternate payees and all prior alternate payees with respect to the Participant that such domestic relations order has been received. The PRAC shall include with such notice a copy of this Appendix.

2.2.3. INITIAL DETERMINATION. Within a reasonable period of time, the PRAC shall give written notice to the Participant and all persons claiming to be alternate payees and all prior alternate payees with respect to the Participant of its decision that the domestic relations order is or is not a qualified domestic relations order. If the PRAC determines that the order is not a qualified domestic relations order, the PRAC shall include in its written notice:

- (i) the specific reasons for its decision;
- (ii) the specific reference to the pertinent provisions of this Plan Document upon which its decision is based;
- (iii) a description of additional material or information, if any, which would cause the PRAC to reach a different conclusion; and
- (iv) an explanation of the procedures for reviewing the initial determination of the PRAC.

2.2.4. APPEAL PERIOD. The Participant and all persons claiming to be alternate payees and all prior alternate payees with respect to the Participant shall be afforded an appeal period of sixty (60) days from the date such an initial determination and explanation is mailed in which to make comments or objections concerning whether the original determination of the PRAC is correct and to make amendments to the domestic relation order. By the unanimous written consent of the Participant and all persons claiming to be alternate payees and all prior alternate payees with respect to the Participant, the sixty (60) day appeal period may be shortened.

2.2.5. FINAL DETERMINATION. In all events, the final determination of the PRAC shall be made not later than eighteen (18) months after the date on which first payment would be required to be made under the domestic relations order if it were a qualified domestic relations order. The final determination shall be communicated in writing to the Participant and all persons claiming to be alternate payees and all prior alternate payees with respect to the Participant.

2.3. FINAL DISPOSITION. If the domestic relations order is finally determined to be a qualified domestic relations order, the Plan shall pay all amounts required to be paid pursuant to the domestic relations order to the alternate payee entitled thereto. If the domestic relations order is finally determined not to be a qualified domestic relations order, benefits under the Plan shall be paid to the person or persons who would have been entitled to such amounts if there had been no domestic relations order.

2.4. ORDERS BEING SOUGHT. If the PRAC has notice that a domestic relations order is being or may be sought but has not received the order, the PRAC shall not (in the absence of a written request from the Participant) delay payment of benefits to a Participant or Beneficiary which otherwise would be due. If the PRAC has determined that a domestic relations order is not a qualified domestic relations order and after the 18-month period set forth in Section 2.2.5 above, the PRAC shall not (in the absence of a written request from the Participant) delay payment of benefits to a Participant or Beneficiary which otherwise would be due even if the PRAC has notice that the party claiming to be an alternate payee or the Participant or both are attempting to rectify any deficiencies in the domestic relations order.

SECTION 3

PROCESSING OF AWARD

3.1. GENERAL RULES. If a benefit is awarded to an alternate payee pursuant to an order which has been finally determined to be a qualified domestic relations

order, the following rules shall apply.

3.1.1. EFFECT ON ACCOUNT. For all purposes of the Plan, the Participant's Account Balance (and all benefits payable under the Plan which are derived in whole or in part by reference to the Participant's Account Balance) shall be permanently diminished by the portion of the Participant's Account Balance which is awarded to the alternate payee.

3.1.2. AFTER DEATH. After the death of an alternate payee, all amounts awarded to the alternate payee which have not been distributed to the alternate payee and which continue to be payable shall be paid in a single lump sum distribution to the personal representative of the alternate payee's estate as soon as administratively feasible, unless the qualified domestic relations order clearly provides otherwise. The Participant's Beneficiary designation shall not be effective to dispose of any portion of the benefit awarded to an alternate payee, unless the qualified domestic relations order clearly provides otherwise.

3.2. SEGREGATED ACCOUNT. If the PRAC determines that it would facilitate the administration or the distribution of the benefit awarded to the alternate payee or if the qualified domestic relations order so requires, the benefit awarded to the alternate payee shall be established on the books and records of the Plan as a separate account belonging to the alternate payee.

3.3. FORMER ALTERNATE PAYEES. If an alternate payee has received all benefits to which the alternate payee is entitled under a qualified domestic relations order, the alternate payee will not at any time thereafter be deemed to be an alternate payee or prior alternate payee for any substantive or procedural purpose of this Plan.

APPENDIX D

FACTORS TO CONVERT ACCOUNT BALANCE TO ANNUAL ANNUITY AT SPECIFIED AGE

AGE	NORMAL FORM		OPTIONAL FORM	
	LIFE AND FIVE YEAR CERTAIN ANNUITY	LIFE ONLY ANNUITY	JOINT AND 50% SURVIVOR ANNUITY1/	
18	19.3	13.6	13.7	
19	19.2	13.6	13.7	
20	19.2	13.6	13.7	
21	19.1	13.5	13.6	
22	19.1	13.5	13.6	
23	19.0	13.5	13.6	
24	18.9	13.5	13.6	
25	18.8	13.4	13.6	
26	18.8	13.4	13.6	
27	18.7	13.4	13.5	
28	18.6	13.4	13.5	
29	18.5	13.3	13.5	
30	18.4	13.3	13.5	
31	18.3	13.3	13.4	
32	18.2	13.2	13.4	
33	18.1	13.2	13.4	
34	18.0	13.1	13.3	

35	17.9	13.1	13.3
36	17.8	13.0	13.2
37	17.7	13.0	13.2
38	17.5	12.9	13.2
39	17.4	12.9	13.1
40	17.2	12.8	13.1
41	17.1	12.7	13.0
42	16.9	12.7	13.0
43	16.8	12.6	12.9
44	16.6	12.5	12.8
45	16.4	12.4	12.8
46	16.3	12.3	12.7
47	16.1	12.2	12.6
48	15.9	12.1	12.5
49	15.7	12.0	12.4
50	15.5	11.9	12.4
51	15.3	11.8	12.3
52	15.1	11.7	12.2
53	14.9	11.6	12.1
54	14.6	11.4	11.9
55	14.4	11.3	11.8
56	14.2	11.1	11.7
57	13.9	11.0	11.6
58	13.6	10.8	11.4
59	13.4	10.7	11.3
60	13.1	10.5	11.1
61	12.8	10.3	11.0
62	12.5	10.1	10.8
63	12.3	9.9	10.6
64	12.0	9.7	10.5
65	11.7	9.5	10.3
66	11.4	9.3	10.1
67	11.1	9.1	9.9
68	10.8	8.9	9.7
69	10.4	8.6	9.4
70	10.1	8.4	9.2
71	9.8	8.1	9.0
72	9.5	7.9	8.8

73	9.2	7.7	8.5
74	8.9	7.4	8.3
75	8.6	7.2	8.0
76	8.4	6.9	7.8
77	8.1	6.7	7.5
78	7.8	6.4	7.3
79	7.6	6.2	7.0
80	7.3	5.9	6.8

1/ For ages 55 and over, if age of survivor is 30 and under, multiply the Joint and 50% Survivor factor above by 1.05.

If the annual rate of interest on 30 year Treasury securities for the month before the date of distribution is below 5%, then the conversion factors used in converting to the normal form of payment will be the factors determined using the 1983 Group Annuity Mortality Table and the 30 year Treasury securities for the month before the date of distribution.

APPENDIX E

HIGHLY COMPENSATED EMPLOYEE

SECTION 1

GENERAL DEFINITIONS

1.1. HIGHLY COMPENSATED EMPLOYEE. A "highly compensated employee" is any employee who, during the "determination year" or the "look-back year":

- (i) was at any time a five percent (5%) owner;
- (ii) received compensation from the Employer in excess of Seventy-Five Thousand Dollars (\$75,000);
- (iii) received compensation from the Employer in excess of Fifty Thousand Dollars (\$50,000) and was in the top-paid group of employees for such year; or
- (iv) was at any time an officer and received compensation greater than fifty percent (50%) of the amount in effect under section 415(b) (1) (A) of the Code for such year.

The group of employees (including former employees) who are highly compensated employees consists of both highly compensated active employees and highly compensated former employees.

1.2. DETERMINATION YEAR. The determination year is the current Plan Year (that is, the Plan Year for which the determination of which employees are highly compensated employees is being made).

1.3. LOOK-BACK YEAR. The look-back year is the twelve-month period immediately preceding the determination year (generally, the preceding Plan Year). The Employer does not elect to make the look-back year calculation on the basis of the calendar year ending with or within the determination year.

1.4. SPECIAL RULE FOR DETERMINATION YEAR. An employee not described in Section

1.1(ii), (iii) or (iv) for the look-back year shall not be treated as described in Section 1.1(ii), (iii) or (iv) for the determination year unless such employee is a member of the group consisting of the one hundred (100) employees paid the greatest compensation during the determination year. If there is no difference in compensation between the 100th employee and the 101st employee, then those employees receiving the same compensation as the 100th employee shall be ranked in descending order of seniority, with the employee with the greatest seniority being ranked first.

1.5. HIGHLY COMPENSATED ACTIVE EMPLOYEE. A highly compensated active employee is any highly compensated employee who performs services for the Employer during the determination year (whether or not the employee performs services for the Employer during the lag period described in Section 1.2).

1.6. HIGHLY COMPENSATED FORMER EMPLOYEE. A highly compensated former employee is any former employee who had a "separation year" (as defined in Section 2.9) prior to the determination year and was a highly compensated active employee for either (1) such employee's separation year or (2) any determination year ending on or after the employee's 55th birthday. An employee who performs no services for the Employer during a determination year is treated as a former employee.

SECTION 2

SPECIAL RULES & DEFINITIONS

2.1. INCORPORATED DEFINITIONS. Terms defined in the Plan Document shall have the same meanings when used in this Appendix.

2.2. FIVE PERCENT OWNER. An employee shall be treated as a five percent (5%) owner for any determination year or look-back year if at any time during such year such employee was a five percent (5%) owner (as defined in Appendix B to this Plan Document) of the Employer.

2.3. TOP-PAID GROUP. An employee is in the top-paid group of employees for any determination year or look-back year if such employee is in the group consisting of the top twenty percent (20%) of the employees when ranked on the basis of compensation paid during such year, excluding those employees described in Section 2.10. For purposes of the preceding sentence, the top twenty percent (20%) shall be determined by disregarding fractional numbers (i.e., the top 20% of 118 employees shall be the top 22 employees). Employees who perform no services for the Employer during the year are not included in determining the top-paid group of employees for that year.

2.4. SPECIAL RULES FOR OFFICERS.

2.4.1. NOT MORE THAN 50 OFFICERS. For purposes of Section 1.1(iv) of this Appendix, no more than fifty (50) employees (or, if lesser, the greater of three employees or ten percent of the employees) shall be treated as officers. If the actual number of officers exceeds this limit, then the officers who will be considered as includible officers under Section 1.1(iv) are those who receive the greatest compensation from the Employer during the determination year or the look-back year.

2.4.2. AT LEAST 1 OFFICER. If for any determination year or look-back year no officer of the Employer is described in Section 1.1(iv) of this Appendix, the highest paid officer of the Employer for such year shall be treated as described in such Section 1.1(iv). This is true whether or not such employee is also a highly compensated employee on any other basis.

2.5. FORMER EMPLOYEES EXCLUDED FOR CERTAIN PURPOSES. Former employees are not included in the top-paid group, the group consisting of the one hundred (100) employees paid the greatest compensation or the group of includible officers for purposes of determining who are highly compensated active employees. In addition, former employees are not counted as employees for purposes of determining the number of employees in the top-paid group.

2.6. EMPLOYEES DESCRIBED IN SEVERAL GROUPS. An employee who is a highly compensated active employee for a determination year by reason of being described in one group under Section 1.1 for either the determination year or the look-back year, shall not be disregarded in determining whether another employee is a highly compensated active employee by reason of being described in another group under Section 1.1.

2.7. CERTAIN FAMILY MEMBERS.

2.7.1. IN GENERAL. If any individual is a member of the family of a five percent (5%) owner or of a highly compensated employee in the group consisting of the ten (10) highly compensated employees paid the greatest compensation during the determination year or the look-back year, then:

- (i) such individual shall not be considered a separate employee; and
- (ii) any compensation paid to such individual (and any applicable contribution or benefit on behalf of such individual) shall be treated as if it were paid to (or on behalf of) the five percent (5%) owner or highly compensated employee.

Family members are subject to this aggregation rule whether or not they may be excluded under Section 2.10 for purposes of determining the top-paid group and whether or not they are highly compensated employees when considered separately.

2.7.2. FAMILY. For purposes of Section 2.7.1 of this Appendix, the term "family" means, with respect to any employee, such employee's spouse and lineal ascendants or descendants and the spouses of such lineal ascendants or descendants.

2.7.3. PRIORITY. The determination of which employees are highly compensated employees and which highly compensated employees are among the ten highly compensated employees paid the greatest compensation during the determination year or the look-back year shall be made prior to the application of the family aggregation rules. Similarly, the determination of the number and identity of employees in the top-paid group for a determination year or a look-back year and the identity of the group of employees consisting of the 100 employees paid the greatest compensation for a determination year shall be made prior to the application of the family aggregation rules. The family aggregation rules apply separately to the determination year and the look-back year.

2.7.4. CHANGE IN FAMILY RELATIONSHIP. An individual is a family member with respect to an employee or former employee if such individual is a family member on any day during the determination year or the look-back year, even though such relationship changes during such year as a result of death or divorce.

2.8. COMPENSATION. For purposes of this Appendix:

2.8.1. IN GENERAL. The term "compensation" means compensation within the meaning of section 415(c)(3) of the Code.

2.8.2. CERTAIN PROVISIONS NOT TAKEN INTO ACCOUNT. The determination under Section 2.8.1 of this Appendix shall be made:

- (i) without regard to sections 125, 402(a)(8) and 402(h)(1)(B) of the Code; and
- (ii) in the case of Employer contributions made pursuant to a salary reduction agreement, without regard to section 403(b) of the Code.

Compensation for any employee who performed services for only part of a year is not annualized for purposes of determining such employee's compensation for the determination year or the look-back year.

2.9. SEPARATION YEAR. Generally the "separation year" is the determination year during which the employee separates from service with the Employer. An employee who performs no services for the Employer during a determination year will be treated as having separated from service in the year in which that employee last performed services for the Employer.

2.9.1. DEEMED SEPARATION. Solely for the purpose of determining whether an employee is a highly compensated former employee after the employee actually separates from service, an employee may be deemed to have separated from service during a determination year in which the employee actually performs some services for the Employer. An employee will be deemed to have a separation year if, in a determination year prior to the employee's

attaining the age of 55, the employee receives compensation in an amount less than 50% of the employee's average annual compensation for the three consecutive calendar years preceding such determination year during which the employee received the greatest amount of compensation from the Employer (or the total period of the employee's service with the Employer, if less). This deemed separation from service may occur without regard to whether the reduction in compensation occurs on account of the employee's leave of absence from service with the Employer.

2.9.2. DEEMED RESUMPTION. An employee who is treated as having a deemed separation year by reason of Section 2.9.1 will not be treated as a highly compensated former employee after such employee actually separates from service with the Employer if, after such deemed separation year, and before the year of actual separation, such employee's compensation from the Employer for a particular determination year increased significantly so that such employee is treated as having a deemed resumption of employment. In order for a deemed resumption of employment to occur, there must be an increase in compensation from the Employer to the extent that such compensation would not result in a deemed separation year under Section 2.9.1 using the same three-year period taken into account for purposes of that Section.

2.10. EXCLUDED EMPLOYEES.

2.10.1. GENERAL EXCLUSIONS. For purposes of determining the number of employees in the top-paid group for a determination year or a look-back year under Section 2.3 of this Appendix, the following employees shall be excluded:

- (i) employees who have not completed six (6) months of service by the end of the year;
- (ii) employees who normally work less than seventeen and one-half (17-1/2) hours per week;
- (iii) employees who normally work during less than six (6) months during the year; and
- (iv) employees who have not attained age twenty-one (21) by the end of the year.

For purposes of computing months of service, an employee's service in the immediately preceding year is added to service in the current year to determine whether an employee is excluded in the current year.

2.10.2. EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS. In general, employees who are included in a unit of employees covered by a collective bargaining agreement are included in determining the number of employees in the top-paid group. However, if ninety percent (90%) or more of all employees are covered under collective bargaining agreements and this Plan covers only employees who are not covered under such agreements, then the employees who are covered under such collective bargaining agreements shall not be counted in determining the number of employees who will be included in the top-paid group. In addition, the employees covered by such agreements will not be included in the top-paid group.

2.10.3. MINIMUM HOUR RULE. An employee who works at least 17-1/2 hours a week for 50% or more of the total weeks worked by such employee during a determination year or look-back year is deemed to normally work more than 17-1/2 hours a week. An employee who works less than 17-1/2 hours a week for 50% or more of the total weeks worked by such employee during a determination year or look-back year is deemed to normally work less than 17-1/2 hours a week. The foregoing determinations may be made separately with respect to each employee or on the basis of groups of employees who fall within particular job categories as established by the Employer on a reasonable basis. In general, 80% of the positions within a particular job category must be filled by employees who normally work less than 17-1/2 hours a week before any employees may be excluded under this rule on the basis of their membership in that job category. Alternatively, an Employer may exclude employees who are members of a particular job category if the median number of hours credited to employees in that category during a determination year or look-back year is 500 or less.

2.10.4. MINIMUM PERIOD OF TIME RULE. The determination of whether an employee normally works during less than six months in any determination year or look-back year is made on the basis of the facts and circumstances of the Employer as evidenced by the Employer's customary experience in the years preceding such year. An employee who works on one day during a month is deemed to have worked during that month.

2.10.5. NONRESIDENT ALIENS. Employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2) of the Code) from the employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) are excluded for all purposes of this Appendix.

2.11. ADJUSTMENTS TO DOLLAR AMOUNTS. The dollar amounts described in Section 1.1(ii) and (iii) shall be adjusted for cost-of-living increases as provided by regulations or other rulings by the Secretary of the Treasury. The applicable dollar amount for a particular determination year shall be the dollar amount for the calendar year in which the determination year begins. For determination years beginning before January 1, 1987, the dollar amounts in Section 1.1(ii) and (iii) shall be \$75,000 and \$50,000 respectively.

2.12. ELECTION TO INCLUDE LEASED EMPLOYEES. The term "employee" shall include all leased employees of the Employer, whether or not such leased employees are covered by a "safe-harbor plan" as described in section 414(n)(5) of the Code.

2.13. AGGREGATION. Subsections (b), (c), (m), (n), and (o) of section 414 of the Code shall be applied before the application of the rules in this Appendix.

APPENDIX F

ADDITIONAL BENEFITS FOR GRANDFATHERED 3M PARTICIPANTS

1. DEFINITIONS. Terms defined in the Plan Document shall have the same meanings when used in this Appendix F. In addition, when used in this Appendix, the following terms shall have the following meanings:

1.1. 3M ACCRUED BENEFIT. The accrued benefit of a Grandfathered Participant under the 3M Pension Plan as of June 30, 1996, payable in the Life Only Annuity form commencing at Normal Retirement Date.

1.2. GRANDFATHERED PARTICIPANT. A Participant who, as of July 1, 1996:

- (a) transferred employment from 3M to the Employer in connection with the spinoff" of Imation from 3M, and
- (b) then had a total attained Age plus pension service" under the 3M Pension Plan equal to or greater than fifty (50), and
- (c) then had pension service" under the 3M Pension Plan equal to or greater than ten (10).

1.3. IMATION GRANDFATHERED BENEFIT. Fifty Percent (50%) of the Total Grandfathered Benefit.

1.4. TOTAL GRANDFATHERED BENEFIT. The amount determined under Sections 2.1 and 2.2 of this Appendix F.

2. BENEFITS. In addition to other benefits payable under the Plan, each Grandfathered Participant shall be eligible to receive a benefit (the Imation Grandfathered Benefit") equal to 50% of the following amount (the Total Grandfathered Benefit") payable as a Life Only Annuity commencing at Normal Retirement Date:

2.1. FOR INITIAL SIX MONTHS OF PLAN. If the Grandfathered Participant remains in Recognized Employment (including Disability) until December 31, 1996, the Total Grandfathered Benefit shall equal 2% of his or her 3M Accrued Benefit.

2.2. FOR 1997 AND FOLLOWING CALENDAR YEARS. As of each following December 31 (beginning December 31, 1997), the Total Grandfathered Benefit as of the prior December 31 shall be increased by 4%, but only if the Grandfathered Participant remains in Recognized Employment (including

Disability) until that December 31.

2.3. NO PRORATION. No prorated increase shall be made to the Imation Grandfathered Benefit of a Grandfathered Participant who leaves Recognized Employment before any December 31 (that is, the Imation Grandfathered Benefit of such Grandfathered Participant shall be the amount determined as of the prior December 31).

3. FORM OF PAYMENT. The Imation Grandfathered Benefit shall be paid at the same time and in the same form as other benefits under the Plan. If such other benefits under the Plan are payable other than as a Life Only Annuity commencing at Normal Retirement Date, then:

- (a) the monthly amount of the Imation Grandfathered Benefit shall be multiplied by twelve (12), then
- (b) that amount shall be multiplied by the factor from Appendix D for the Life Only Annuity form for the Participant's Age as of the date payment commences, then
- (c) that amount shall be added to the Account Balance as of the date payment commences, and finally
- (d) the increased Account Balance shall be used to determine benefits under the Plan.

4. EFFECT OF 3M EARLY RETIREMENT FACTORS. Under uniform rules established by the PRAC, the subsidized early retirement benefits under the 3M Pension Plan shall be taken into account in determining the Imation Grandfathered Benefit.

5. EFFECT OF DEATH. If a Grandfathered Participant dies before payments commence under the Plan, no Imation Grandfathered Benefit shall be paid; provided, however, that, if such Grandfathered Participant is survived by a spouse, then:

- (a) the monthly amount of the Imation Grandfathered Benefit shall be multiplied by twelve (12), then
- (b) that amount shall be multiplied by the factor from Appendix D for the Life Only Annuity form for the Participant's Age as of the date payment commences, then
- (c) 50% of that amount shall be added to the Account Balance as of the date payment commences, and finally
- (d) the increased Account Balance shall be used to determine benefits under the Plan.

IMATION EXCESS BENEFIT PLAN

Effective July 1, 1996

IMATION EXCESS BENEFIT PLAN

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IMATION EXCESS BENEFIT PLAN

SECTION 1.

INTRODUCTION

IMATION CORP., a Delaware corporation, (the Principal Sponsor") has established a tax-qualified defined benefit pension plan known as the Imation Cash Balance Pension Plan (the Pension Plan"), effective July 1, 1996, for the purpose of providing retirement benefits to certain eligible employees. The Pension Plan is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA") and is intended to qualify as a defined benefit pension plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the Code"). By operation of section 401(a)(16) of the Code, benefits under the Pension Plan are restricted so that they do not exceed certain maximum benefits allowed under section 415 of the Code. Section 401(a)(17) of the Code restricts the maximum amount of annual compensation which may be taken into account in determining the benefits for any employee.

Section 3(36) and section 4(b)(5) of ERISA recognize and authorize the establishment of an unfunded, nonqualified plan of deferred compensation maintained by an employer solely for the purpose of providing benefits for employees in excess of the limitations on benefits imposed under section 415 of the Code. Section 201, 301 and 401 of ERISA also recognize the creation of an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

The Principal Sponsor desires to establish an excess benefit plan for the

purpose of providing the full benefits promised to employees under the Pension Plan without regard to the limitations imposed by section 415 and section 401(a)(17) of the Code.

Therefore, effective as of July 1, 1996, the Principal Sponsor hereby adopts this excess benefit plan.

SECTION 2.

PLAN NAME

This employee pension benefit plan shall be referred to as the IMATION EXCESS BENEFIT PLAN (the Excess Plan").

SECTION 3.

PARTICIPANTS

3.1. GENERAL PARTICIPATION RULE. The individuals eligible to participate in and receive benefits under this Excess Plan are those employees of Principal Sponsor and other affiliated companies:

- (a) who are, on or after July 1, 1996, participants in the Pension Plan,
- (b) who are, at some time on or after July 1, 1996, actively employed by the Principal Sponsor or such other affiliated companies, and
- (c) whose benefits under the Pension Plan are limited by Section 401(a)(17) or 415 of the Code.

Any employee who has become a Participant in the Excess Plan shall continue as a Participant until all benefits which are due under this Excess Plan have been received without regard to whether he or she continues as a participant in the Pension Plan or an active employee. Notwithstanding anything apparently to the contrary contained in this Excess Plan, the Excess Plan shall be construed and administered to prevent the duplication of benefits provided under this Excess Plan and any other qualified or nonqualified plan maintained in whole or in part by the Principal Sponsor or such other affiliated companies.

3.2. OVERRIDING EXCLUSION. Notwithstanding anything apparently to the contrary in this Excess Plan or in any written communication, summary, resolution or document or oral communication, no individual shall be a Participant in this Excess Plan, develop benefits under this Excess Plan or be entitled to receive benefits under this Excess Plan (either for such individual or his or her survivors) unless such individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA). If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select

group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Excess Plan at any time. If any person not so defined has been erroneously treated as a Participant in this Excess Plan, upon discovery of such error such person's erroneous participation shall immediately terminate ab initio and upon demand such person shall be obligated to reimburse the Principal Sponsor for all amounts erroneously paid to him or her.

SECTION 4.

BENEFITS PAYABLE

4.1. BENEFIT FOR PARTICIPANTS. Upon the termination of employment of a Participant, this Excess Plan shall pay to a Participant the excess, if any, of:

- (a) the amount that would have been payable to the Participant under the Pension Plan if such benefit had been determined:
 - (i) without regard to the benefit limitations under section 415 of the Code, and
 - (ii) without regard to the compensation limitation of section 401(a)(17) of the Code; minus
- (b) the amount actually paid from the Pension Plan.

Except as may otherwise be specifically provided in this Excess Plan, this benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid to the Participant in the same manner, at the same time, for the same duration and in the same form as if such benefit had been paid directly from the Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the Pension Plan shall, to the extent practicable, be given effect under this Excess Plan so that the Participant will receive from a combination of the Pension Plan and this Excess Plan the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) which would have been received under the Pension Plan if the Excess Plan benefit had been paid from the Pension Plan.

4.2. BENEFIT FOR BENEFICIARIES. Upon the death of a Participant, this Excess Plan shall pay to the surviving spouse or other joint or contingent annuitant or beneficiary of a Participant, the excess, if any, of:

- (a) the amount which would have been payable to such person under the Pension Plan if such benefit had been determined:
 - (i) without regard to the benefit limitations under section 415 of the Code, and
 - (ii) without regard to the compensation limitation of section 401(a)(17) of the Code; minus

(b) the amount actually paid from the Pension Plan.

This benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid to such person in the same manner, at the same time, for the same duration and in the same form as if such benefit had been paid directly from the Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the Pension Plan shall, to the extent practicable, be given effect under this Excess Plan so that such person will receive from a combination of the Pension Plan and this Excess Plan the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) which would have been received under the Pension Plan if the Excess Plan benefit had been paid from the Pension Plan.

SECTION 5.

FUNDING

5.1. UNFUNDED OBLIGATION. The obligation of the Principal Sponsor to make payments under this Excess Plan constitutes only the unsecured (but legally enforceable) promise of the Principal Sponsor to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of any Principal Sponsor. If a fund is established by the Principal Sponsor in connection with this Excess Plan, the property therein shall remain the sole and exclusive property of the Principal Sponsor. The Principal Sponsor will pay the cost of this Excess Plan out of its general assets.

5.2. HEDGING INVESTMENTS. If the Principal Sponsor elects to finance all or a portion of its costs in connection with this Excess Plan through the purchase of life insurance or other investments, the Participant agrees, as a condition of participation in this Excess Plan, to cooperate with the Principal Sponsor in the purchase of such investment to any extent reasonably required by the Principal Sponsor and relinquishes any claim he or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then (notwithstanding any other provision of this Excess Plan, including, without limiting the generality of the foregoing, Section 4) the Principal Sponsor shall immediately and irrevocably terminate and forfeit the Participant's entitlement to benefits under the Excess Plan.

5.3. CORPORATE OBLIGATION. Neither the Principal Sponsor's officers nor any member of its Board of Directors or its Pension and Retirement Committee (PRC") in any way secures or guarantees the payment of any benefit or amount which may become due and payable hereunder to or with respect to any Participant. Each Participant and other person entitled at any time to payments hereunder shall look solely to the assets of the Principal Sponsor for such payments as an unsecured, general creditor. After benefits shall have been paid to or with respect to a Participant and such payment purports to cover in full the benefit hereunder, such former Participant or other person or persons, as the case may be, shall have no further right or interest in the other assets of the Principal

Sponsor in connection with this Excess Plan. Neither the Principal Sponsor nor any of its officers nor any member of its Board of Directors or PRC shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Excess Plan by reason of the insolvency of the Principal Sponsor.

SECTION 6.

GENERAL MATTERS

6.1. AMENDMENTS AND TERMINATION. The Board of Directors of the Principal Sponsor (or, in any respect that does not materially increase the cost of the Excess Plan, the PRC) may unilaterally amend this Excess Plan prospectively, retroactively or both, at any time and for any reason deemed sufficient by it without notice to any person affected by this Excess Plan and may likewise terminate or curtail the benefits of this Excess Plan both with regard to persons expecting to receive benefits in the future and persons already receiving benefits at the time of such action. No modification of the terms of this Excess Plan shall be effective unless it is in writing and signed on behalf of the Principal Sponsor by a person authorized to execute such writing. No oral representation concerning the interpretation or effect of this Excess Plan shall be effective to amend the Excess Plan.

6.2. ERISA ADMINISTRATOR. The Principal Sponsor shall be the plan administrator of this Excess Plan.

6.3. SERVICE OF PROCESS. In the absence of any designation to the contrary by the PRC, the corporate Secretary of the Principal Sponsor is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Excess Plan in any legal proceeding, including arbitration, involving the Excess Plan.

6.4. LIMITED BENEFITS. This Excess Plan shall not provide any benefits determined with respect to any defined contribution plan.

6.5. SPENDTHRIFT PROVISION. No Participant, surviving spouse, joint or contingent annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this Excess Plan before its actual payment to such person. The Principal Sponsor shall not recognize any such effort to convey any interest under this Excess Plan. No benefit payable under this Excess Plan shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

6.6. ADMINISTRATIVE DETERMINATIONS. The PRC shall make such determinations as may be required from time to time in the administration of the Excess Plan. The PRC shall have the discretionary authority and responsibility to interpret and construe the Excess Plan and to determine all factual and legal questions under the Excess Plan, including but not limited to the entitlement of Participants and Beneficiaries, and the amounts of their respective interests. No member of the PRC shall participate, however, in any PRC determinations with respect to

his or her own benefit. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

6.7. RULES AND REGULATIONS. Any rule not in conflict or at variance with the provisions hereof may be adopted by the PRC.

6.8. CERTIFICATIONS. Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this Excess Plan may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

6.9. ERRORS IN COMPUTATIONS. The Principal Sponsor shall not be liable or responsible for any error in the computation of any benefit payable to or with respect to any Participant resulting from any misstatement of fact made by the Participant or by or on behalf of any survivor to whom such benefit shall be payable, directly or indirectly, to the Principal Sponsor, and used by the Principal Sponsor in determining the benefit. The Principal Sponsor shall not be obligated or required to increase the benefit payable to or with respect to such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the benefit of any Participant which is overstated by reason of any such misstatement or any other reason shall be reduced to the amount appropriate in view of the truth (and to recover any prior overpayment).

SECTION 7.

FORFEITURE OF BENEFITS

All unpaid benefits under this Excess Plan, shall be permanently forfeited upon the determination by the PRC that the Participant, either before or after termination of employment:

- (a) engaged in a felonious or fraudulent conduct resulting in material harm to the Principal Sponsor or an affiliate; or
- (b) made an unauthorized disclosure to a competitor of any material confidential information, trade information, or trade secrets of the Principal Sponsor or an affiliate; or
- (c) provided the Principal Sponsor or an affiliate with materially false reports concerning his or her business interests or employment; or
- (d) made materially false representations which are relied upon by the Principal Sponsor or an affiliate in furnishing information to shareholders, accountants, a stock exchange, the Securities and Exchange Commission or a public or private regulatory body; or

- (e) maintained an undisclosed, unauthorized and material conflict of interest in the discharge of the duties owed by the Participant to the Principal Sponsor or an affiliate; or
- (f) engaged in conduct causing a serious violation of state or federal law by the Principal Sponsor or an affiliate; or
- (g) engaged in the theft of assets or funds of the Principal Sponsor or an affiliate; or
- (h) has been convicted of any crime which directly or indirectly arose out of his or her employment relationship with the Principal Sponsor or an affiliate or materially affected his or her ability to discharge the duties of his or her employment with the Principal Sponsor or an affiliate; or
- (i) engaged during his or her employment or during a period of two (2) years after the termination of his or her employment in any employment or self-employment with a competitor of the Principal Sponsor or an affiliate within the geographical area which is then served by the Principal Sponsor or an affiliate.

SECTION 8.

CLAIMS PROCEDURE

Without limiting the generality of the following, an application for benefits under Section 4 and any objection to a forfeiture under Section 7 shall be processed as a claim for the purposes of this section.

8.1. ORIGINAL CLAIM. Any person may file with the PRC a written claim for benefits under the Excess Plan. Within ninety (90) days after the filing of such a claim, the PRC shall notify the claimant in writing whether his or her claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the PRC shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Excess Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

8.2. CLAIMS REVIEW PROCEDURE. Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the PRC a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the PRC shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

8.3. GENERAL RULES.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The PRC may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the PRC upon request.
- (b) All decision on claims and on requests for a review of denied claims shall be made by the PRC.
- (c) The PRC may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) Claimants may be represented by a lawyer or other representative (at their own expense), but the PRC reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to receive copies of notices sent to the claimant.
- (e) The decision of the PRC on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.
- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this Excess Plan and all other pertinent documents in the possession of the Principal Sponsor.
- (g) The PRC may permanently or temporarily delegate all or a portion of its authority and responsibility under this Section 8 to a committee or individual.

SECTION 9.

CONSTRUCTION

9.1. DEFINED TERMS. Words and phrases used in this Excess Plan with initial capital letters, which are defined in the Pension Plan documents and which are not separately defined in this Excess Plan shall have the same meaning ascribed to them in the Pension Plan documents unless in the context in which they are used it would be clearly inappropriate to do so.

9.2. ERISA STATUS. This Excess Plan is adopted with the understanding that it is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in section 201(2), section 301(3) and section 401(a)(1) of ERISA. Each provision shall be interpreted and administered accordingly.

9.3. CODE STATUS. This Excess Plan is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) et. seq. of the Code shall not apply to this Excess Plan. The rules of section 3121(v) and section 3306(r)(2) of the Code shall apply to this Excess Plan.

9.4. EFFECT ON OTHER PLANS. This Excess Plan shall not alter, enlarge or diminish any person's employment rights or obligations or rights or obligations under the Pension Plan or any other plan. It is specifically contemplated that the Pension Plan will, from time to time, be amended and possibly terminated. All such amendments and termination shall be given effect under this Excess Plan (it being expressly intended that this Excess Plan shall not lock in the benefit structures of the Pension Plan as they exist at the adoption of this Excess Plan or upon the commencement of participation, or commencement of benefits by any Participant).

9.5. RULES OF DOCUMENT CONSTRUCTION. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words hereof, "herein" or hereunder" or other similar compounds of the word here" shall mean and refer to the entire Excess Plan and not to any particular paragraph or Section of this Excess Plan unless the context clearly indicates to the contrary. The titles given to the various Sections of this Excess Plan are inserted for convenience of reference only and are not part of this Excess Plan, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof.

9.6. REFERENCES TO LAWS. Any reference in this Excess Plan to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation.

9.7. EFFECT ON EMPLOYMENT. Neither the terms of this Excess Plan nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. Except as provided in Section 6.1, the Principal Sponsor shall not be obliged to continue the Excess Plan. The terms of this Excess Plan shall not give any employee the right to be retained in the employment of any Employer.

9.8. CHOICE OF LAW. This instrument has been executed and delivered in the State of Minnesota and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the State of Minnesota.

_____, 1996

IMATION CORP.

By _____

Its _____

1996
IMATION RETIREMENT
INVESTMENT PLAN

1996
IMATION RETIREMENT INVESTMENT PLAN

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ARTICLE 15. TOP HEAVY PROVISIONS

(a) "Account" or "Accounts" means the record of the amounts credited to an individual under the Plan, and may refer to any or all of the following: Retirement Savings Accounts (sometimes referred to herein as "RSAs"), Company Match Accounts (sometimes referred to herein as "CMAs"), CCA Pre-7/96 Accounts (sometimes referred to herein as "CCAs"), Thrift Accounts (sometimes referred to herein as "TAs"), Individual Retirement Accounts (sometimes referred to herein as "IRAs"), and Rollover Accounts (sometimes referred to herein as "ROAs"), and Performance Pays Accounts (sometimes referred to herein as "PPAs").

"Retirement Savings Account" means the record of amounts attributable to contributions made by the Employer on behalf of Participants pursuant to Section 4.1, in conjunction with Compensation reductions experienced by Participants under the terms of the Plan, together with Trust earnings with respect thereto.

"Company Match Account" means the record of amounts attributable to contributions made by the Employer on behalf of Participants pursuant to Section 4.2, together with Trust earnings with respect thereto.

"CCA Pre-7/96 Account" means the record of amounts transferred from the VIP to the Plan attributable to the company contribution accounts of Participants under the VIP as of the transfer date, together with Trust earnings with respect thereto.

"Individual Retirement Account" means the record of amounts attributable to a Participant's deductible employee contributions (within the meaning of section 72(o)(5)(B) of the Code) made under the provisions of the VIP in effect prior to 1987, together with Trust earnings with respect thereto.

"Thrift Account" means the record of amounts attributable to a Participant's after-tax contributions made under the provisions of the VIP in effect prior to July 1, 1996, together with Trust earnings with respect thereto.

"Rollover Account" means the record of amounts attributable to a Participant's rollover contributions made pursuant to Section 4.5, and transfers made pursuant to Section 4.6, together with Trust earnings with respect thereto.

"Performance Pays Account" means the record of amounts attributable to contributions made by the Employer on behalf of Participants pursuant to Section 4.3, together with Trust earnings with respect thereto.

The various Accounts shall be maintained as separate bookkeeping records but, with the exception of Company Match Accounts, CCA Pre-7/96 Accounts and Performance Pays Accounts, which shall be invested (subject to the diversification provisions of Sections 5.6) primarily in 3M common stock and IMATION Common Stock, assets in the said Accounts may, for investment purposes, be commingled, invested and administered as a single fund (except as may be specifically provided herein to the contrary).

(b) "Actual Contribution Percentage" means, for purposes of paragraph 4.3(e), the ratio (expressed as a percentage and calculated to the nearest one-hundredth of one percent) of (i) the sum of (A) the value of the units representing shares of IMATION Common Stock allocated to an Employee's Company Match Account for a Plan Year pursuant to Section 4.2, and (B) the value of the units representing shares of IMATION Common Stock allocated to an Employee's Performance Pays Account for such Plan Year pursuant to Section 4.3, to (ii) such Employee's Compensation for such Plan Year. The Actual Contribution Percentage for any Highly Compensated Employee who is eligible to have employer matching contributions made on his or her behalf or to make after-tax employee contributions under two or more plans or arrangements described in section 401(m) of the Code (which are all employee stock ownership plans) that are maintained by an Employer or Affiliate shall be determined as if all such matching contributions and employee contributions were made under a single plan. If any Highly Compensated Employee is subject to the family aggregation rules of section 414(q)(6) of the Code because such Employee is either a five-percent owner (within the meaning of section 416(i) of the Code) of any

Employer or one of the ten most highly compensated Employees, the combined Actual Contribution Percentage for the family group including such Highly Compensated Employee shall be the greater of (iii) the Percentage determined by combining the units representing shares of IMATION Common Stock allocated to Company Match Accounts pursuant to Sections 4.2 and 4.3 and the Compensation of all eligible Family Members who are Highly Compensated Participants without regard to family aggregation, and (iv) the Percentage determined by combining the units representing shares of IMATION Common Stock allocated to Company Match Accounts pursuant to Sections 4.2 and 4.3 and the Compensation of all the eligible Family Members, and such Family Members (and all of their units representing shares of IMATION Common Stock allocated to their Company Match Accounts pursuant to Sections 4.2 and 4.3 and Compensation) shall be disregarded in determining the Actual Contribution Percentage for all other Employees. However, in applying the \$150,000 Compensation limit of paragraph 2.01(i), the only Family Members taken into account with respect to such Highly Compensated Employee shall be the Employee's spouse and any lineal descendants who have not attained age 19 before the close of the Plan Year.

- (c) "Actual Deferral Percentage" means the ratio (expressed as a percentage and calculated to the nearest one-hundredth of one percent) of (i) the amount of Elective Deferrals allocated to an Employee's Retirement Savings Account for a Plan Year, to (ii) such Employee's Compensation for such Plan Year. The Actual Deferral Percentage for any Highly Compensated Employee who is eligible to have elective deferrals allocated to his or her account under two or more plans or arrangements described in section 401(k) of the Code that are maintained by an Employer or Affiliate shall be determined as if all such elective deferrals were made under a single plan. If any Highly Compensated Employee is subject to the family aggregation rules of section 414(q) (6) of the Code because such Employee is either a five-percent owner (within the meaning of section 416(i) of the Code) of any Employer or one of the ten most highly compensated Employees, the combined Actual Deferral Percentage for the family group including such Highly Compensated Employee shall be the greater of (iii) the Percentage determined by combining the Elective Deferrals and Compensation of all eligible Family Members who are Highly Compensated Participants without regard to family aggregation, (iv) the Percentage determined by combining the Elective Deferrals and Compensation of all the eligible Family Members, and such Employee's Family Members (and all of their Elective Deferrals and Compensation) shall be disregarded in determining the Actual Deferral Percentage for all other Employees.
- (d) "Adjustment Factor" means the cost of living adjustment factor prescribed by the Secretary of the Treasury under section 415(d) of the Code for years beginning after December 31, 1987, as applied to such items and in such manner as the Secretary shall provide.
- (e) "Affiliate" means any corporation which is a member of a controlled group of corporations (as defined in section 414(b) of the Code) which includes IMATION; any trade or business (whether or not incorporated) which is under common control (as defined in section 414(c) of the Code) with IMATION; any organization which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) which includes IMATION; and any other entity required to be aggregated with IMATION pursuant to regulations under section 414(o) of the Code. For purposes of applying Section 4.4 of the Plan, the foregoing Code sections shall be modified to the extent provided in section 415(h) of the Code.
- (f) "Beneficiary" or "Beneficiaries" means such person or persons who, at any particular time, shall be entitled to receive a distribution from the Trust in the event of the death of a Participant.
- (g) "Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a section of the Code refers to that section of the Code or the corresponding section of the Code as amended, together with the regulations issued thereunder.
- (h) "Compensation" of an Employee for any Plan Year means that portion of the amount reportable by Employers for federal income tax purposes as base pay, overtime pay, incentive pay for hourly-paid employees, cash bonuses, vacation pay, shift premium pay, commission pay and

performance sharing paid to the Employee during such Plan Year; increased by the amount of Compensation reductions experienced by the Employee during such year pursuant to the provisions of Section 4.1, and by the amount of any employer contributions made on behalf of the Employee pursuant to a salary reduction agreement and which are not includable in the gross income of the Employee under section 125 of the Code. Compensation in excess of \$150,000 (as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Code) in any Plan Year shall be disregarded.

- (i) "Disability" or "Disabled" means total and permanent disability due to a physical or mental condition which results in the Participant's receiving disability benefit payments under the applicable provisions of the Social Security Act of the United States.
- (j) "Earnings", with respect to a Participant for any Plan Year, means the aggregate amount reportable by all Employers and Affiliates for federal income tax purposes (in Box 10 of Form W-2) as wages paid or made available to the Participant for that Plan Year; provided, however, that this amount shall be reduced by any amounts which such Participant received as payment or reimbursement of moving expenses by or from an Employer or Affiliate if such amounts are reasonably believed to be deductible from the Participant's gross income in accordance with section 217 of the Code;
- (k) "Elective Deferrals" means the contributions made to the Trust during a Plan Year by an Employer pursuant to the Compensation reduction elections made under Section 4.1 by its participating Employees.
- (l) "Employee" means any person, including an officer, who is employed as an active regular common-law employee by an Employer; including such regular employees who are United States citizens on foreign assignment; but excluding (i) any such person who is covered by a collective bargaining agreement to which an Employer is a party (unless such collective bargaining agreement expressly provides for inclusion of such person, by category, in the Plan), (ii) to the extent specified, by category, by the Committee, any such person who is a foreign national employed in the United States; and (iii) any person classified by an Employer as a "temporary employee". The term "Employee" shall also include any leased employee, within the meaning of section 414(n)(2) of the Code, of any Employer.
- (m) "Employer" means IMATION, Imation Enterprises Corp. and any other Affiliate which adopts the Plan, if such adoption is approved by the Pension and Retirement Committee, specifically including the Affiliates listed on the attached Schedule A, as such schedule may be amended from time to time.
- (n) "ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time. Any reference to a section of ERISA refers to that section of ERISA or the corresponding section of ERISA as amended, together with the regulations issued thereunder.
- (o) "Excess Aggregate Contributions" means, with respect to any Plan Year, the excess of (i) the sum of (A) the aggregate amount of units representing shares of IMATION Common Stock allocated to the Company Match Accounts of all Highly Compensated Employees for such Plan Year pursuant to Section 4.2, and (B) the aggregate amount of units representing shares of IMATION Common Stock allocated to the Performance Pays Accounts of all Highly Compensated Employees for such Plan Year pursuant to Section 4.3, over (ii) the maximum amount of such allocations permitted under the limitations of subparagraph 4.3(e)(2). The maximum amount of allocations permitted under the limitations of subparagraph 4.3(e)(2) shall be determined in accordance with the leveling method described in subparagraph 4.3(e)(1)(B).

The determination and correction of Excess Aggregate Contributions with respect to a Highly Compensated Employee whose Actual Contribution Percentage is determined under the family aggregation rules described in paragraph 2.1(b) shall be accomplished as follows:

- (1) If the Actual Contribution Percentage for such Highly Compensated Employee is determined in accordance with

subparagraph 2.1(b)(iv), then his or her Actual Contribution Percentage shall be reduced (if necessary) in accordance with the leveling method described in subparagraph 4.3(e)(1)(B) and the resulting Excess Aggregate Contributions (if any) shall be allocated among such Employee's Family Members in proportion to the contributions of each Family Member that have been combined.

- (2) If the Actual Contribution Percentage for such Highly Compensated Employee is determined in accordance with subparagraph 2.1(b)(iii), then his or her Actual Contribution Percentage shall first be reduced (if necessary) in accordance with the leveling method described in subparagraph 4.3(e)(1)(B), but not below the Actual Contribution Percentage of the group of such Employee's Family Members who are not Highly Compensated Participants without regard to family aggregation. The Excess Aggregate Contributions resulting from this initial reduction shall be allocated among the Family Members whose contributions were combined to determine such Employee's Actual Contribution Percentage, in proportion to the contributions of each Family Member that have been combined. If further reduction of such Employee's Actual Contribution Percentage is required, the Excess Aggregate Contributions resulting from this reduction shall be determined by taking into account the Company Match Account allocations and Performance Pays Account allocations of all of such Employee's Family Members and shall be allocated among such Family Members in proportion to their respective allocations.

- (p) "Excess Contributions" means, with respect to any Plan Year, the excess of (i) the aggregate amount of Elective Deferrals allocated to the Retirement Savings Accounts of all Highly Compensated Employees for such Plan Year, over (ii) the maximum amount of such Elective Deferrals permitted under the limitations of subparagraph 4.1(d)(2). The maximum amount of Elective Deferrals permitted under the limitations of subparagraph 4.1(d)(2) shall be determined in accordance with the leveling method described in subparagraphs 4.1(d)(1)(B) and (C).

The determination and correction of Excess Contributions with respect to a Highly Compensated Employee whose Actual Deferral Percentage is determined under the family aggregation rules described in paragraph 2.1(c) shall be accomplished as follows:

(1) If the Actual Deferral Percentage for such Highly Compensated Employee is determined in accordance with subparagraph 2.1(c)(iv), then his or her Actual Deferral Percentage shall be reduced (if necessary) in accordance with the leveling method described in subparagraphs 4.1(d)(1)(B) and (C) and the resulting Excess Contributions (if any) shall be allocated among such Employee's Family Members in proportion to the contributions of each Family Member that have been combined.

(2) If the Actual Deferral Percentage for such Highly Compensated Employee is determined in accordance with subparagraph 2.1(c)(iii), then his or her Actual Deferral Percentage shall first be reduced (if necessary) in accordance with the leveling method described in subparagraphs 4.1(d)(1)(B) and (C), but not below the Actual Deferral Percentage of the group of such Employee's Family Members who are not Highly Compensated Participants without regard to family aggregation. The Excess Contributions resulting from this initial reduction shall be allocated among the Family Members whose Elective Deferrals were combined to determine such Employee's Actual Deferral Percentage, in proportion to the Elective Deferrals of each Family Member that have been combined. If further reduction of such Employee's Actual Deferral Percentage is required, the Excess Contributions resulting from this reduction shall be determined by taking into account the Elective Deferrals of all of such Employee's Family Members and shall be allocated among such Family Members in proportion to their respective Elective Deferrals.

- (q) "Family Member" means an individual described in section 414(q) (6) (B) of the Code.
- (r) "414(q) Compensation" of an Employee for any Plan Year means Earnings as defined in paragraph (k) of this Section 2.1, increased by the amount of Compensation reductions experienced by the Employee during such year pursuant to the provisions of Section 4.1, and by the amount of any employer contributions made on behalf of the Employee pursuant to a salary reduction agreement and which are not includable in the gross income of the Employee under section 125 of the Code.
- (s) "Highly Compensated Employee" or "Highly Compensated Participant" means an individual described in section 414(q) of the Code, considering the 414(q) Compensation of such Employee or Participant as his or her compensation for purposes of such Code section and the regulations thereunder.
- (t) "Nonhighly Compensated Employee" or "Nonhighly Compensated Participant" means an Employee or Participant who is not a Highly Compensated Employee or a Highly Compensated Participant, respectively.
- (u) "Normal Retirement Age" means the date a Participant attains age 65.
- (v) "Participant" means a person who meets the requirements of Section 3.1 and 3.2, and who is not ineligible to participate by reason of Section 3.4. Such person who has one or more Account balances shall continue to be a Participant until all benefits hereunder have been distributed to him or her, or until his or her death, if earlier.
- "Active Participant" means a Participant who is, at the time in question, eligible to make Elective Deferrals.
- (w) "Pension and Retirement Administrative Committee" or "PRAC" means the administrative committee of not less than 3 members who are employees of an Employer appointed by and serving at the pleasure of the PRC.
- (x) "Pension and Retirement Committee" or "PRC" means the management committee of not less than 3 members who are employees of an Employer appointed by and serving at the pleasure of the chief executive officer of IMATION.
- (y) "Performance Pays Percentage" means, with respect to a Plan Year, the percentage of Employees' Compensation (with a minimum of zero percent and a maximum of two percent) determined by the performance of IMATION during such Plan Year as compared to the financial targets established for such Plan Year by the PRC.
- (z) "Plan" means the "IMATION RETIREMENT INVESTMENT PLAN" as set forth herein, and as may be amended, restated or revised from time to time.
- (aa) "Plan Year" means the 12-month period commencing on January 1 and ending on the next following December 31.
- (bb) "Retirement" means a Participant's voluntary or involuntary termination of employment with an Employer for any reason on or after attainment of age 55.
- (cc) "Stock Loan" means a loan or other extension of credit to the Plan which is used to finance the purchase of IMATION Common Stock, or to refinance a prior Stock Loan.
- (dd) "Stock Loan Suspense Account" means the record of amounts attributable to shares of IMATION Common Stock purchased with a Stock Loan and initially allocated to and held therein until released to the Company Match Accounts and Performance Pays Accounts of Participants, together with Trust earnings with respect thereto.
- (ee) "3M" means Minnesota Mining and Manufacturing Company.
- (ff) "Trust" means the trust or trusts established by IMATION for the purpose of holding the assets of the Plan.
- (gg) "Trustee" means the trustee or trustees which shall accept the appointment to execute the duties of the Trustee as set forth in the

Plan and the trust agreement or agreements establishing the Trust.

- (hh) "Valuation Date" means each day that all or substantially all of the U.S. and international financial markets in which the Plan's assets are invested are open for trading.
- (ii) "VIP" means the 3M Voluntary Investment Plan and Employee Stock Ownership Plan.
- (jj) "Voice Response System" means a telephone answering service by which Employees, Participants and Beneficiaries may submit applications, give instructions and make elections by electronic communication to the Plan Administrator or by speaking with a representative of the Plan Administrator.

SECTION 2.2 GENDER AND NUMBER.

Pronoun references herein shall be deemed to be of any gender relevant to the context, and words used in the singular shall include the plural.

SECTION 2.3 TERMINATION OF EMPLOYMENT.

For purposes of the Plan, an Employee will be deemed to have terminated his or her employment only if such Employee has severed his or her employment relationship with all Employers and Affiliates. Accordingly, neither transfer of employment among Employers and/or Affiliates, nor absence from active employment by reason of layoff, disability leave or any other leave of absence will constitute a termination of employment.

ARTICLE 3. ELIGIBILITY AND PARTICIPATION

SECTION 3.1 ELIGIBILITY.

With the exception of those Employees described in Section 3.4, each Employee shall be eligible to participate in the Plan on the first day of his or her employment or reemployment as an Employee by an Employer.

SECTION 3.2 TELEPHONE ENROLLMENT.

- (a) In General. In order to become a Participant in the Plan, each Employee who is otherwise eligible to make or have contributions made on his or her behalf pursuant to Sections 4.1 and/or 4.5, must use the Plan's Voice Response System to specify the amount of his or her contributions, authorize the reduction of his or her Compensation as may be necessary to make such contributions, specify the separate investment fund or funds in which his or her contributions under the Plan are to be invested (if there is more than one at that time), and provide such other pertinent data, with respect to the Employee and with respect to any person named by him or her as a Beneficiary, as the PRAC may require. To use the Plan's Voice Response System, an Employee must complete and return to the Plan Administrator a personal identification number authorization form. By signing and returning such personal identification number authorization form and using the Plan's Voice Response System, each Employee agrees to be bound by the terms and conditions of the Plan and all amendments thereto.
- (b) Transferred from 3M. With the following exceptions, all elections made by Employees using the voice response system of the VIP and outstanding as of 11:59 PM CT on June 30, 1996 shall be transferred to and remain in effect under this Plan (until changed by the respective Employee) from and after 12:01 AM CT on July 1, 1996. Elections to make contributions to the VIP's personal thrift account will not be recognized by the Plan. Elections to make contributions to the VIP's savings plus account at the rate of 16% of compensation will be recognized as elections to contribute at the Plan's maximum of 15% of Compensation.

SECTION 3.3 EFFECTIVE DATE OF PARTICIPATION.

Elections made by an eligible Employee using the Plan's Voice Response System after returning a properly completed and signed personal identification number authorization form to the Plan Administrator shall be effective, and the Employee shall become a Participant (if he or she is not already a Participant), as soon as administratively practicable following receipt thereof by the Plan Administrator.

SECTION 3.4 LEASED EMPLOYEES.

No leased employee, within the meaning of section 414(n)(2) of the Code, of any Employer or Affiliate shall be eligible to participate in the Plan.

ARTICLE 4. CONTRIBUTIONS

SECTION 4.1 ELECTIVE DEFERRALS.

- (a) Amount and Payment. Subject to the remaining provisions of this Section 4.1 and to the limitations set forth in Section 4.4, each Employer shall contribute to the Trust, on behalf of each Participant who was in its employ during such Plan Year and whose Compensation otherwise payable by such Employer to such Participant has been reduced in accordance with paragraph 4.1(b), the amount by which the Participant's Compensation has been so reduced (referred to hereinafter as the "Elective Deferrals"). Each Employer's contributions hereunder shall be paid to the Trust within a reasonable time after the Participant would have otherwise received the Compensation from which the Elective Deferral was made; provided, that, to the extent deemed necessary by the PRAC in connection with its determination under paragraph 4.1(d), Elective Deferrals may be prospectively decreased or otherwise applied in the manner specified in that paragraph.
- (b) Compensation Reduction Procedure. For purposes of implementing paragraph 4.1(a), a Participant may, by using the Plan's Voice Response System, elect to have his or her Compensation reduced, in accordance with the following rules:
- (1) A Participant's Elective Deferrals hereunder shall be made as a percentage of his or her Compensation (in any 1% increment). The minimum Elective Deferral percentage shall be 1% of a Participant's Compensation, and the maximum Deferral Election percentage (subject to the limitation described in paragraph 4.4(d)) shall be (A) 15% of a Participant's Compensation for Participants who are Nonhighly Compensated Participants based on their 414(q) Compensation during the preceding Plan Year, and (B) 10% of a Participant's Compensation for Participants who are Highly Compensated Participants based on their 414(q) Compensation during the preceding Plan Year. The percentage elected by the Participant shall automatically apply to his or her Compensation as the same may be adjusted from time to time;
 - (2) A Participant's Elective Deferrals made for any taxable year pursuant to this Section 4.1 shall not exceed \$7,000 (as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 402(g) of the Code).
 - (3) Subject to the limitations set forth in subparagraph (1) above, a Participant may change the rate at which his or her Compensation is being reduced for subsequent periods. Application for such change shall be made by using the Plan's Voice Response System. Such change shall be effective as soon as administratively practicable following receipt of such application by the PRAC. The PRAC may limit the number of Elective Deferral rate changes which may be made during each Plan Year in accordance with uniform rules.
 - (4) Upon notice to the PRAC, by using the Plan's Voice Response System, a Participant may suspend his or her Elective Deferrals, effective as soon as administratively practicable

following receipt of such notice by the PRAC. Any Participant who has so suspended his or her Elective Deferrals may elect to resume such Deferrals in the manner provided in Section 3.2.

(5) Notwithstanding the foregoing provisions hereof, to the extent required by applicable law, a Participant may not elect to have his or her Compensation reduced below an amount which would result in his or her Compensation being less than that prescribed by minimum wage laws.

(6) Unless and until the PRAC issues rules to the contrary, Participants' Elective Deferrals shall be made only on a payroll reduction basis, and shall be made with respect to all Compensation payments made to the Participant by his or her respective Employer.

(c) Allocation to Participants' Retirement Savings Accounts. The amount contributed under this Section 4.1 on behalf of a Participant shall be allocated to the Retirement Savings Account of the Participant at the same time as or as soon as administratively practicable following the date on which the contribution is paid to the Trustee.

(d) Compensation Reduction Adjustments.

(1) Notwithstanding the provisions of paragraphs 4.1(a) and 4.1(b), if and to the extent deemed necessary by the PRAC in order to maintain the tax-qualified status of the Plan in accordance with the rules set forth in section 401(a) of the Code and to comply with the actual deferral percentage requirements of section 401(k)(3) of the Code for any Plan Year, the PRAC may, in its sole discretion, exercised uniformly among Participants similarly situated, prospectively reduce the maximum amount of Elective Deferrals permitted to be made for such Plan Year (from the amount described in subparagraph 4.1(b)(2)) by Highly Compensated Participants, decrease the rate at which a Highly Compensated Participant's Compensation will be reduced during the remainder of such Plan Year, direct the Trustee to distribute to Highly Compensated Participants the amount of any Excess Contributions (and any income allocable thereto), or any combination of the above. The amount of Excess Contributions for any Plan Year to be distributed to a Highly Compensated Participant shall be reduced by any excess deferrals previously distributed to such Participant for his or her taxable year ending with or within such Plan Year.

(A) In the event the amount of the Highly Compensated Participants' Elective Deferrals are so decreased, such decreases shall be applied by successively decreasing the rate of Elective Deferrals under this Section 4.1 for such Highly Compensated Participants who have elected the highest percentage rate of such Deferrals, to the next lower percentage; then, if deemed necessary by the Committee, again decreasing the percentage of the same Highly Compensated Participants' Elective Deferrals, together with the percentage of Elective Deferrals of those Highly Compensated Participants who were already at such lower percentage, to the next lower percentage; and continuing such procedure for as many percentage decreases as the PRAC shall determine.

(B) In the event the amount of any Excess Contributions are so distributed, such distributions shall be made by successively distributing the Elective Deferrals (and any income allocable to such Deferrals) of the Highly Compensated Participants with the highest Actual Deferral Percentage for such Plan Year to the extent required to cause such Participants' Actual Deferral Percentage to equal the Actual Deferral Percentage of the Highly Compensated Participants with the next highest Actual Deferral Percentage for such Plan Year; then, if deemed necessary by the

PRAC, again distributing the Elective Deferrals (and any income allocable to such Deferrals) of the same Participants together with the Elective Deferral (and any income allocable to such Deferrals) of the Highly Compensated Participants who were already at such lower Actual Deferral Percentage to the extent required to cause such Participants' Actual Deferral Percentage to equal the Actual Deferral Percentage of the Highly Compensated Participants with the next highest Actual Deferral Percentage; and continuing such procedure for as many distributions as the PRAC shall determine. Any distributions of Excess Contributions made in accordance with this paragraph 4.1(d) shall be completed by the end of the Plan Year following the Plan Year in which such contributions were made. The income allocable to any Excess Contributions distributed in accordance with this paragraph 4.1(d) shall include both the income (or loss) for the Plan Year for which such contributions were made and the income (or loss) for the period between the end of such Plan Year and the date of distribution.

- (2) For each Plan Year, the Plan shall satisfy the actual deferral percentage requirements of section 401(k)(3) of the Code by meeting one of the following tests:
- (A) The average Actual Deferral Percentage for all eligible Highly Compensated Employees is not more than the average Actual Deferral Percentage for all eligible Nonhighly Compensated Employees multiplied by 1.25; or
 - (B) The excess of the average Actual Deferral Percentage for all eligible Highly Compensated Employees over the average Actual Deferral Percentage for all eligible Nonhighly Compensated Employees is not more than two percentage points, and the average Actual Deferral Percentage for all eligible Highly Compensated Employees is not more than the average Actual Deferral Percentage for all eligible Nonhighly Compensated Employees multiplied by 2.

For purposes of applying the provisions of this subparagraph (2), the terms "eligible Highly Compensated Employees" and "eligible Nonhighly Compensated Employees" mean those Employees who are eligible to make Elective Deferrals for that Plan Year. Elective Deferrals will be taken into account under the actual deferral percentage tests described in this subparagraph (2) for a Plan Year only if they (i) are allocated (within the meaning of Income Tax Regulation ss.1.401(k)-1(b)(4), which is incorporated herein by reference) to an Employee as of a date within such Plan Year, and (ii) relate to Compensation that either would have been received by the Employee in such Plan year (but for the Employee's deferral election or salary reduction agreement in connection with section 125 of the Code), or are attributable to services performed by the Employee in such Plan Year and would have been received by the Employee within 2-1/2 months after the end of such Plan Year (but for the Employee's deferral election or salary reduction agreement in connection with section 125 of the Code). In addition to the foregoing, if and to the extent deemed necessary by the PRAC in order to maintain the tax-qualified status of the Plan in accordance with the rules set forth in section 415 of the Code, the PRAC may, in its sole discretion exercised uniformly among Participants similarly situated, prospectively decrease the rate at which a Participant's Compensation will be reduced, to the level necessary to satisfy the requirements of Code section 415 and the provisions of Section 4.4 of this Plan.

- (3) For the purpose of determining whether this Plan satisfies the actual deferral percentage tests described in subparagraph (2) above, the cash or deferred arrangement under this Plan and

the cash or deferred arrangements under any other plans that are aggregated with this Plan for purposes of sections 401(a)(4) or 410(b) (other than section 410(b)(2)(A)(ii)) of the Code (if any) shall be treated as one arrangement. In addition, if two or more cash or deferred arrangements (including the cash or deferred arrangement under this Plan) are treated as a single arrangement for purposes of sections 401(a)(4), 401(k) and 410(b) of the Code, these cash or deferred arrangements and the plans including such arrangements shall be treated as one arrangement and as one plan for purposes of subparagraph (2) above and sections 401(a)(4), 401(k) and 410(b) of the Code.

SECTION 4.2 EMPLOYER MATCHING CONTRIBUTIONS.

- (a) Required Stock Loan Contributions. The Employers shall make contributions to the Trust, without regard to annual or accumulated earnings or profits, in amounts equal to the principal and interest required to be paid on all Stock Loans during each Plan Year, reduced by the amount of dividends and other earnings of the Trust which are applied to make such payments as provided in paragraph 5.1(b).
- (b) Discretionary Stock Loan Contributions. The Employers may at any time make additional contributions to the Trust to be applied to the repayment of a Stock Loan. Both the decision to make such additional contributions and the amount of such contributions, if any, shall be within the sole discretion of the Employers.
- (c) Required Supplemental Matching Contributions. For each Plan Year and subject to the limitations set forth in Section 4.4, each Employer shall also contribute to the Trust the amount (if any) by which:
- (1) the sum of:
 - (A) matching contributions equal to one hundred percent (100%) of that portion of the Elective Deferrals allocated to its Employees' Retirement Savings Accounts for such Plan Year which does not exceed three percent (3%) of any such Employee's Compensation for the pay period from which such Elective Deferrals are made; and
 - (B) matching contributions equal to twenty-five percent (25%) of that portion of the Elective Deferrals allocated to its Employees' Retirement Savings Accounts for such Plan Year which exceeds three percent (3%) but does not exceed six percent (6%) of any such Employee's Compensation for the pay period from which such Elective Deferrals are made; exceeds
 - (2) the fair market value (determined at the time of allocation) of the shares of IMATION common stock released from the Stock Loan Suspense Account and allocated to its Employees' Company Match Accounts for such Plan Year pursuant to subparagraph 2 of paragraph 4.2(g).

For purposes of this paragraph 4.2(c), the fair market value of the shares of IMATION common stock released from the Stock Loan Suspense Account and allocated to Participants' Company Match Accounts shall be the mean between the aggregate high and low sales prices for such shares on the New York Stock Exchange on the trading day coinciding with or immediately preceding the date of allocation, as quoted by such brokers as are specified for this purpose by the PRAC.

- (d) Form of Contributions. Employers' contributions under paragraphs (a) and (b) of this Section 4.2 shall be made in cash. Employers' contributions under paragraph (c) of this Section 4.2 may be made, in IMATION's sole discretion, in cash or in shares of IMATION common stock. If such contributions are made in shares of IMATION common stock, the value thereof for purposes of this paragraph 4.2(d) shall be the mean between the aggregate high and low sales prices for such shares on the New York Stock Exchange on the trading day coinciding with or immediately preceding the day such contribution was made, as

quoted by such brokers as are specified for this purpose by the PRAC; and the value of a fractional share of such stock shall be contributed in the form of cash.

- (e) Payment. Employers' contributions under paragraph (a) of this Section 4.2 shall be paid to the Trustee on or before the due date for each scheduled Stock Loan payment. Employers' contributions under paragraphs (b) and (c) of this Section 4.2 for a Plan Year shall be paid to the Trustee on or before the date on which the Employers' federal income tax return for such Plan Year is required to be filed or such date as duly extended.
- (f) Release of Shares from Stock Loan Suspense Account. As soon as practicable after the Trust makes each payment with respect to a Stock Loan (other than a payment made with the proceeds of another Stock Loan), a number of shares of IMATION common stock credited to the Stock Loan Suspense Account shall be released from such Account and credited to the ESOP Stock Fund. The number of shares released shall equal the number of shares of IMATION common stock credited to the Stock Loan Suspense Account at the time of each Loan payment which are attributable to the Stock Loan multiplied by a fraction. The numerator of this fraction shall be the amount of principal and interest paid on such Stock Loan with such Loan payment. The denominator of this fraction shall be the sum of (a) the numerator (current principal and interest payment), and (b) the total remaining principal and interest payments under such Stock Loan. For this purpose, each Stock Loan and the IMATION common stock purchased with the proceeds thereof shall be considered separately.

The number of future payments under each Stock Loan must be definitely ascertainable, and must be determined without taking into account any possible extensions or renewal periods. If the rate of interest under a Stock Loan is variable, the amount of interest to be paid in future Loan payments must be computed by using the interest rate applicable as of the due date of the current Loan payment.

- (g) Allocation to Participants' Accounts. Units representing shares of IMATION common stock credited to the ESOP Stock Fund shall be allocated to the Participants' Company Match Accounts at the time and in the manner specified in subparagraphs (1), (2) and (3) below:

- (1) Dividend Allocations. As soon as practicable following the release of shares of IMATION common stock from the Stock Loan Suspense Account as a result of a payment on a Stock Loan made in whole or in part with cash dividends on IMATION common stock, units representing a portion of the total number of shares so released shall be allocated to the Participants' Company Match Accounts based on the amount of such dividends used to make the payment. The units so allocated shall be calculated separately with respect to (1) cash dividends on IMATION common stock acquired with the proceeds of a Stock Loan and credited to the ESOP Stock Fund (the "Allocated Dividends"), and (2) cash dividends on IMATION common stock held in the Stock Loan Suspense Account (the "Unallocated Dividends").

The number of units allocated with respect to Allocated Dividends shall equal the total number of shares released on account of the Stock Loan payment multiplied by a fraction. The numerator of this fraction shall be the amount of the Allocated Dividends used to make the Loan payment. The denominator of this fraction shall be the fair market value of the total number of units allocated as a result of the Loan payment. The number of units allocated with respect to Allocated Dividends shall be allocated among the Participants' Company Match Accounts in the same proportion that the Allocated Dividends from each Participant's Company Match Account used to make the Stock Loan payment bear to the total amount of such Allocated Dividends.

The number of units allocated with respect to Unallocated Dividends shall equal the balance (after the application of the preceding paragraph) of the number of shares released on account of the Stock Loan payment multiplied by a fraction.

The numerator of this fraction shall be the amount of Unallocated Dividends used to make the Loan payment. The denominator of this fraction shall be the amount of the Loan payment reduced by the amount of Allocated Dividends used to make such payment, if any. The number of units allocated with respect to Unallocated Dividends shall be allocated among the Participants' Company Match Accounts in the same manner as the units representing the balance of the released shares are allocated among such Accounts, pursuant to subparagraphs (2) and (3) of this paragraph 4.2(g).

- (2) Stock Loan Contribution Allocations. Once each week, units representing a portion of the total number of shares of IMATION common stock that have been released from the Stock Loan Suspense Account and credited to the ESOP Stock Fund as a result of Stock Loan amortization payments made during such Plan Year shall be allocated to the Participants' Company Match Accounts as set forth below. The number of units allocated with respect to such payments shall be the total number of units representing shares of IMATION common stock previously released on account of Stock Loan Amortization payments and not previously allocated, multiplied by a fraction (which shall not exceed one).

The numerator of this fraction shall be the sum of (i) matching contributions equal to one hundred percent (100%) of that portion of the Elective Deferrals allocated to all Participants' Retirement Savings Accounts since the previous allocation date which did not exceed three percent (3%) of the amount of any such Participant's Compensation for the pay period for which such Deferrals were made, and (ii) additional matching contributions equal to the twenty-five percent (25%) of that portion of the Elective Deferrals allocated to all Participants' Retirement Savings Accounts since the previous allocation date which exceeded three percent (3%) but did not exceed six percent (6%) of the amount of any such Participant's Compensation for the pay period for which such Deferrals were made. The denominator of this fraction shall be the fair market value (as of the Valuation Date) of the total number of units representing shares released on account of Stock Loan payments and not previously allocated as of the previous allocation date.

The number of units allocated each week with respect to Stock Loan Amortization payments shall be allocated among the Participants' Company Match Accounts in the same proportion that matching contributions attributable to the Elective Deferrals allocated to each Participant's Retirement Savings Account since the previous allocation date bear to the total amount of such matching contributions attributable to the Elective Deferrals allocated to all Participants' Retirement Savings Accounts since the previous allocation date.

- (3) Supplemental Matching Contributions Allocations. The amount contributed on behalf of a Participant pursuant to paragraph 4.2(c) shall be allocated to the Company Match Account of such Participant as soon as administratively practicable after such contribution is paid to the Trustee.

SECTION 4.3 PERFORMANCE PAYS CONTRIBUTIONS.

- (a) Amount. Subject to the remaining provisions of this Section 4.3 and to the limitations set forth in Section 4.4, for each Plan Year each Employer shall contribute to the Trust the amount (if any) by which:
- (1) the Performance Pays Percentage of the aggregate Compensation payments made during such Plan Year to all Employees eligible to participate in this Plan as of the last day of such Plan Year, exceeds
 - (2) the fair market value (determined at the time of allocation) of the shares of IMATION common stock released from the Stock Loan Suspense Account and allocated to its Employees'

For purposes of this paragraph 4.3(a), the fair market value of the shares of IMATION common stock released from the Stock Loan Suspense Account and allocated to Participants' Performance Pays Accounts shall be the mean between the aggregate high and low sales prices for such shares on the New York Stock Exchange on the trading day coinciding with or immediately preceding the date of allocation, as quoted by such brokers as are specified for this purpose by the PRAC.

- (b) Form of Contributions. Employers' contributions under this Section 4.3 may be made, in IMATION's sole discretion, in cash or in shares of IMATION common stock. If such contributions are made in shares of IMATION common stock, the value thereof for purposes of this paragraph 4.3(b) shall be the mean between the aggregate high and low sales prices for such shares on the New York Stock Exchange on the trading day coinciding with or immediately preceding the day such contribution was made, as quoted by such brokers as are specified for this purpose by the PRAC; and the value of a fractional share of such stock shall be contributed in the form of cash.
- (c) Payment. Employers' contributions under this Section 4.3 for a Plan Year shall be paid to the Trustee on or before the date on which the Employers' federal income tax return for such Plan Year is required to be filed or such date as duly extended.
- (d) Allocation to Performance Pays Accounts.
 - (1) Stock Loan Contribution Allocations. As of the last day of each Plan Year, units representing a portion of the total number of shares of IMATION common stock that have been released from the Stock Loan Suspense Account and credited to the ESOP Stock Fund as a result of Stock Loan amortization payments made during such Plan Year shall be allocated to the Performance Pays Accounts of all eligible Employees (as defined in Section 3.1) as set forth below. The total number of units allocated to such Accounts for each Plan Year with respect to such payments shall be the total number of units representing shares of IMATION common stock previously released on account of Stock Loan Amortization payments during such Plan Year and not previously allocated. This total number of units shall be allocated among the Performance Pays Accounts of all eligible Employees in the proportion that the Compensation paid by the Employers to each eligible Employee during such Plan Year bears to the total amount of Compensation paid by the Employers to all eligible Employees during such Plan Year.
 - (2) Performance Pays Contributions Allocations. The amount contributed on behalf of each eligible Employee pursuant to paragraph 4.3(a) shall be allocated to the Performance Pays Account of such Employee as soon as administratively practicable after such contribution is paid to the Trustee.
- (e) Adjustment of Excess Aggregate Contributions.
 - (1) Notwithstanding the provisions of paragraphs 4.2(g) and 4.3(d), if and to the extent deemed necessary by the PRAC in order to maintain the tax-qualified status of the Plan in accordance with the rules set forth in section 401(a) of the Code and to comply with the actual contribution percentage requirements of section 401(m)(2) of the Code for any Plan Year, the PRAC may, in its sole discretion, exercised uniformly among Employees similarly situated, direct the Trustee to distribute to Highly Compensated Participants the amount of any Excess Aggregate Contributions (and any income allocable thereto). In the event the amount of any Excess Aggregate Contributions are so distributed, such distributions shall be made by successively distributing the Stock Loan Contribution Allocations (pursuant to subparagraph (2) of paragraph 4.2(g)) and the Supplemental Matching Contribution Allocations (pursuant to subparagraph (3) of paragraph 4.2(g)) (and any income allocable to such Allocations) of the Highly

Compensated Participants with the highest Actual Contribution Percentage for such Plan Year to the extent required to cause such Participants' Actual Contribution Percentage to equal the Actual Contribution Percentage of the Highly Compensated Participants with the next highest Actual Contribution Percentage for such Plan Year; then, if deemed necessary by the PRAC, again distributing the Stock Loan Contribution Allocations and the Supplemental Matching Contribution Allocations (and any income allocable to such Allocations) of the same Participants together with the Stock Loan Contribution Allocations and the Supplemental Matching Contribution Allocations (and any income allocable to such Allocations) of the Highly Compensated Participants who were already at such lower Actual Contribution Percentage to the extent required to cause such Participants' Actual Contribution Percentage to equal the Actual Contribution Percentage of the Highly Compensated Participants with the next highest Actual Contribution Percentage; and continuing such procedure for as many percentage decreases as the PRAC shall determine. Any distributions of Excess Aggregate Contributions made in accordance with this paragraph 4.3(e) shall be completed by the end of the Plan Year following the Plan Year in which such Allocations were made.

- (2) For each Plan Year, the Plan shall satisfy the actual contribution percentage requirements of section 401(m)(2) of the Code by meeting one of the following tests:
- (A) The average Actual Contribution Percentage for all eligible Highly Compensated Employees is not more than the average Actual Contribution Percentage for all eligible Nonhighly Compensated Employees multiplied by 1.25; or
 - (B) The excess of the average Actual Contribution Percentage for all eligible Highly Compensated Employees over the average Actual Contribution Percentage for all eligible Nonhighly Compensated Employees is not more than two percentage points or such lesser amount as may be determined pursuant to section 401(m) of the Code to be necessary to prevent the multiple use of this alternative limitation with respect to any Highly Compensated Employee, and the average Actual Contribution Percentage for all eligible Highly Compensated Employees is not more than the average Actual Contribution Percentage for all eligible Nonhighly Compensated Employees multiplied by 2.

For purposes of applying the provisions of this subparagraph (2), the terms "eligible Highly Compensated Employee" and "eligible Nonhighly Compensated Employee" mean those Employees who are eligible to have Stock Loan Contribution Allocations and Supplemental Matching Contribution Allocations allocated to their Company Match Accounts for that Plan Year.

SECTION 4.4 RESTRICTIONS ON CONTRIBUTIONS.

Notwithstanding the foregoing provisions of this Article 4:

- (a) (1) The amount of "annual additions" to an Employee's Accounts for any Plan Year shall not exceed the lesser of \$30,000 (or, if greater, one-fourth of the dollar limitation in effect under section 415(b)(1)(A) of the Code) or 25% of his or her Earnings for such Plan Year.
- (2) For purposes of this Section 4.4, the "annual additions" with respect to an Employee shall be the sum of the amounts allocated to his or her accounts for any Plan Year as:
 - (A) employer contributions to all qualified defined contribution plans maintained by an Employer or Affiliate (including Elective Deferrals, Employer

Matching Contributions and Performance Pays Contributions); provided, however, that the "annual additions" with respect to the Stock Loan Contribution Allocations shall be calculated with respect to Employer contributions used to repay Stock Loans rather than with respect to the units representing shares of IMATION common stock allocated to Employees' Company Match Accounts and Performance Pays Accounts as a result of such Loan repayments;

- (B) employee contributions to such qualified defined contribution plans;
- (C) forfeitures under such qualified defined contribution plans;
- (D) contributions to an individual medical account (within the meaning of section 415(l)(2) of the Code) which is part of a pension or annuity plan maintained by an Employer; and
- (E) amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee (within the meaning of section 419A(d)(3) of the Code) under a welfare benefit fund (within the meaning of section 419(e) of the Code) maintained by an Employer; provided, however, that amounts described in clauses (D) and (E) above shall not be taken into account for the purpose of applying the 25%-of-Earnings limitation described in subparagraph 4.4(a)(1).

(3) For any Plan Year in which no more than one-third of the employer contributions to the employee stock ownership plan of this Plan are allocated to Highly Compensated Employees:

- (A) the "annual additions" for purposes of this Section 4.4 shall not include any shares of IMATION common stock forfeited by participants in the employee stock ownership plan, if such shares were originally acquired with the proceeds of a Stock Loan, or any participant's allocable portion of the employer contributions to such employee stock ownership plan which are deductible under section 404(a)(9)(B) of the Code; and
- (B) the dollar limitation described in subparagraph 4.4(a)(1) for such Plan Year shall be increased by an amount equal to the lesser of the amount of such dollar limitation determined without regard to this subparagraph 4.4(a)(3) or the value of shares of IMATION common stock contributed, or purchased with cash contributed, to such Plan for such Plan Year.

(b) The sum of an Employee's "defined benefit plan fraction" and "defined contribution plan fraction," for any Plan Year shall not exceed 1.00.

(1) For purposes of this Section 4.4, the "defined benefit plan fraction" for a Plan Year is a fraction, the numerator of which is the sum of the Employee's projected annual benefits under all qualified defined benefit pension plans maintained by an Employer or Affiliate (determined as of the end of such Plan Year), and the denominator of which is the lesser of:

- (A) the maximum dollar limitation in effect for defined benefit plans for such Plan Year under section 415(b)(1)(A) of the Code, multiplied by 1.25; or
- (B) the average Earnings of such Employee during the three consecutive Plan Years during which he or she was a participant in such a defined benefit pension plan which produce the greatest average, multiplied

For purposes of applying the foregoing provisions of this Section 4.4, an Employee's projected annual benefit under a qualified defined benefit pension plan in which he or she participates is based upon the following assumptions:

- (C) the Employee will continue employment with an employer maintaining such plan until reaching his or her normal retirement age under the terms of such plan or, if later, his or her current age;
- (D) the Employee's Earnings for the current Plan Year will remain unchanged until the date on which he or she attains the applicable age specified in clause (C) above; and
- (E) all other relevant factors on which the amount of his or her benefit is based under such plan for the current Plan Year will remain unchanged for future Plan Years.

(2) For purposes of this Section 4.4, the "defined contribution plan fraction" for a Plan Year is a fraction, the numerator of which is the sum of the "annual additions" to the Employee's accounts for the Plan Year, and the denominator of which is the sum of the lesser of:

- (A) the maximum dollar limitation in effect for defined contribution plans for such Plan Year under section 415(c)(1)(A) of the Code (determined without regard to section 415(c)(6)), multiplied by 1.25; or
- (B) 35% of such Employee's Earnings for such Plan Year,

applied for all years during which the Employee was employed with an Employer or Affiliate, whether or not there was a defined contribution plan in effect during such years or, if there was such a plan in effect, whether or not the Employee participated in such plan during such years.

(c) (1) If for any reason it appears that an Employee's "annual additions" will exceed or have exceeded the limitation described in subparagraph 4.4(a)(1) above for a particular Plan Year, to the extent necessary to prevent such excess from occurring and after making any prospective adjustments to the rate at which the Employee is making Elective Deferrals, pursuant to paragraph 4.1(d), the amount of Employer contributions made as a result of such Employee's Elective Deferrals for future Plan Years shall be reduced; and, to the extent necessary to prevent such excess from occurring, the amount of Supplemental Matching Contributions or Stock Loan Contribution Allocations allocated to the Company Match Account of the Employee for future Plan Years shall be reduced. If, in spite of such reductions and as a result of reasonable error in estimating the amount of the Employee's Compensation for such Plan Year, such limitation is exceeded for that Plan Year, the amount of such excess shall be held in a suspense account for the Employee's benefit and shall be used to reduce the amount of Employer contributions which otherwise would have been made on his or her behalf for the next succeeding Plan Year and, to the extent necessary, subsequent Plan Years; provided, that if the Employee is not employed with an Employer as of the end of the Plan Year during which such excess amount has not yet been exhausted in the form of reduced Employer contributions on his or her behalf, such amount shall be held unallocated in a suspense account, shall operate to reduce the amount of Employer contributions for such succeeding Plan Year, and shall be allocated to all other Participants for the next succeeding Plan Year and, to the extent necessary, subsequent Plan Years, prior to Employer contributions being made for such succeeding Plan Year(s). Any suspense account established pursuant to this subparagraph 4.4(c)(1) shall not share in the earnings

and losses of the Trust.

- (2) If for any reason it appears that the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" will exceed or has exceeded the limitation described in paragraph 4.4(b) for a Plan Year, to the extent necessary to prevent such excess from occurring and after making any prospective adjustments to the rate at which the Employee is making Elective Deferrals pursuant to paragraph 4.1(d), adjustment shall first be made to the amount of the Employee's benefit under any qualified defined benefit pension plans in which he or she participates, following which there shall be a redetermination of the necessity for an adjustment under this Plan. If an adjustment under this Plan is necessary, the procedure set forth in the preceding subparagraph shall be applied with respect to the amount of Employer contributions made on behalf of the Employee for future Plan Years.

SECTION 4.5 ROLLOVER CONTRIBUTIONS.

With the consent of the PRAC, and so long as it will not create adverse tax consequences for the Plan, the Trustee shall accept rollover contributions from any Employee who is eligible to participate in this Plan (to be credited to his or her Rollover Account) if the Employee certifies that any of the following circumstances have been satisfied:

- (a) The amount contributed by the Employee consists only of a direct rollover of an eligible rollover distribution from a qualified trust described in section 401(a) of the Code, so long as such direct rollover is in the form of cash;
- (b) The amount contributed by the Employee consists only of any portion of (i) the cash, and (ii) the cash proceeds from the sale of the properties, such Employee received in an eligible rollover distribution from a qualified trust described in section 401(a) of the Code, and the transfer to the Trustee occurs on or before the 60th day following the Employee's receipt of such distribution;
- (c) The amount contributed by the Employee consists only of any portion of (in the form of cash and the cash proceeds of the sale of other property) of his or her (i) individual retirement account described in section 408(a) of the Code, or (ii) individual retirement annuity described in section 408(b) of the Code, and no amount in said account and no part of the value of said account or annuity is attributable to any source other than an eligible rollover distribution from a qualified trust described in section 401(a) of the Code and any earnings on such distribution; provided, however, that the transfer to the Trustee occurs on or before the 60th day following the Employee's receipt of the amount from said account or annuity.

The Trustee and the PRAC may require the Employee to provide evidence satisfactory to them that the foregoing conditions have been satisfied.

For purposes of this Section 4.5, the term "eligible rollover distribution" shall have the same meaning as that term is used in Section 8.10; provided, however, that any distribution to an Employee under a qualified domestic relations order (within the meaning of section 206(d) (3) of ERISA) that otherwise meets the requirements of paragraph 8.10(a) shall also be treated as an "eligible rollover distribution". For purposes of this Section 4.5, a "direct rollover" is a payment directly from another plan to the Trustee.

Rollover contributions to the Plan pursuant to this Section 4.5 may be made without regard to whether such Employee has become a Participant pursuant to Article 3, but nothing herein shall alter the requirements to become a Participant under Article 3.

SECTION 4.6 DIRECT TRANSFERS.

The Trustee may accept, with the express written approval of the PRAC, a direct transfer of funds to an individual's Rollover Account hereunder from the trustee or insurer with respect to any plan, account or annuity, if the assets to be transferred could otherwise be rolled over pursuant to Section 4.5 (without

regard to the requirement of a lump sum distribution). No such transfer may be made if, in the opinion of the PRAC, such a transfer would adversely affect the exempt status of the Trust under section 501(a) of the Code. As a condition of any such transfer, the PRAC may require such information to be provided to it as it may determine to be relevant.

The Trustee shall also accept direct transfers of funds from an Employee's accounts in the VIP, upon the satisfaction of such plan's conditions for such a transfer. Amounts transferred from an Employee's savings plus account under the VIP shall be credited to the Employee's Retirement Savings Account, amounts transferred from an Employee's company contribution account under the VIP shall be credited to the Employee's CCA Pre-7/96 Account, amounts transferred from an Employee's personal thrift account under the VIP shall be credited to the Employee's Thrift Account, amounts transferred from an Employee's individual retirement account under the VIP shall be credited to the Employee's Individual Retirement Account, and amounts transferred from an Employee's rollover account under the VIP shall be credited to the Employee's Rollover Account.

SECTION 4.7 CREDIT TO ACCOUNTS.

After the allocations of contributions have been made, each Retirement Savings, Company Match, CCA Pre-7/96, Performance Pays, Individual Retirement, Thrift and Rollover Account shall be credited with the allocation to said Account as of the effective date of the allocation, as provided in this Article 4, but the fact that allocations are so made and credited to such Accounts shall not create in any Participant or Beneficiary any right, title or interest in or to any of the assets of the Trust except at the time or times and upon the terms and conditions set forth in the Plan.

ARTICLE 5. EMPLOYEE STOCK OWNERSHIP PLAN

SECTION 5.1 STOCK LOANS.

- (a) Terms and Conditions. This employee stock ownership plan was established with the intention of acquiring IMATION common stock using the proceeds from Stock Loans meeting the requirements of section 4975(d)(3) of the Code. In general, the terms of each Stock Loan must, at the time such Loan is made, be at least as favorable to the Plan as the terms of a comparable loan resulting from arm's-length negotiating between independent parties. Each Stock Loan shall be for a specific term, shall bear a reasonable rate of interest and shall be primarily for the benefit of Participants and their Beneficiaries.
- (b) Repayment. Payments of principal and interest with respect to a Stock Loan shall be made only from (1) contributions made by Employers pursuant to Section 4.2, (2) earnings attributable to such contributions, (3) cash dividends received by the Trust with respect to shares of IMATION common stock, and earnings attributable thereto, and (4) in the event of default or (if permitted by the Code and ERISA) in the event that this employee stock ownership plan is terminated for unanticipated substantial business reasons, the proceeds from the disposition of shares of IMATION common stock acquired with the proceeds of a Stock Loan. No Stock Loan shall be payable on demand except in the event of default. In the event of default upon a Stock Loan, the value of Trust assets transferred in satisfaction of such Loan shall not exceed the amount of the default. Repayment of a Stock Loan may be guaranteed by an Employer.
- (c) Security. The only assets which may be pledged as collateral for a Stock Loan are shares of IMATION common stock which are acquired with the proceeds of the Stock Loan (or were acquired with the proceeds of a prior Stock Loan which is being refinanced). No other Trust assets may be pledged as collateral for a Stock Loan, and a lender shall have no recourse against the Trust except with respect to (1) collateral given for a Stock Loan, (2) contributions made by Employers pursuant to Section 4.2 to repay the Stock Loan, and (3) earnings attributable to such collateral and the investment of such contributions. Each Stock Loan for which shares of IMATION common stock owned by the Trust are pledged as collateral shall provide for the release of such shares as payments on the Stock Loan are made. Each such Loan's provisions for determining the number of shares to be released shall be consistent with the formula described in Section 4.2.

SECTION 5.2 INVESTMENT IN IMATION COMMON STOCK.

- (a) Acquisition. This employee stock ownership plan is designed to invest primarily in qualifying employer securities. The proceeds of each Stock Loan shall be used by the Trustee within a reasonable time after their receipt to acquire shares of IMATION common stock, to repay such Loan or to repay a prior Stock Loan. In acquiring shares of IMATION common stock for the Trust, the Trustee shall ensure that the Trust pays no more than adequate consideration (within the meaning of section 3(18) of ERISA) for such shares.
- (b) Suspense Account. All shares of IMATION common stock acquired with the proceeds of a Stock Loan shall be credited initially to the Stock Loan Suspense Account. To the extent such shares are pledged as collateral for a Stock Loan, the shares held as collateral in the Suspense Account may be physically segregated from the other assets of the Trust.
- (c) Stock Restrictions. Except as set forth below, or as otherwise required by applicable law, no shares of IMATION common stock acquired with the proceeds of a Stock Loan may be subject to a put, call or other option, or buy-sell or similar arrangement while held by or when distributed from the Plan. The protections and rights provided by this paragraph 5.2(c) shall be nonterminable, so that they shall continue to be applicable after the repayment of the Stock Loan and even if the Plan ceases to be an employee stock ownership plan within the meaning of section 4975(e)(7) of the Code.

In the event that the shares of IMATION common stock allocated to the Company Match Account of a Participant are not readily tradeable on an established market, then a Participant who is entitled to a distribution from the Plan will have the right to require that IMATION repurchase such shares under a fair valuation formula. A Participant's right to exercise the "put option" described above shall exist only in a Plan Year in which shares of IMATION common stock are not readily tradeable on an established market. In such a Plan Year, the "put option" shall be provided for periods that meet the requirements of section 409(h)(4) of the Code, and, if exercised, shall result in payments that meet the requirements of section 409(h)(5) or 409(h)(6) of the Code, if applicable.

SECTION 5.3 DIVIDENDS.

Any dividends received by the Trust with respect to shares of IMATION common stock credited to the Stock Loan Suspense Account shall be used to make the next scheduled Stock Loan amortization payments. Any dividends received by the Trust with respect to shares of IMATION common stock credited to the ESOP Stock Fund and allocated to the Participants' Company Match Accounts shall be (a) credited to the ESOP Stock Fund and allocated among such Participants' Company Match Accounts on a pro rata basis in accordance with the number of units credited to such Accounts as of the record date of the dividend, and (b) used to make the next scheduled Stock Loan amortization payments.

SECTION 5.4 VOTING.

- (a) ESOP Stock Fund. Each Participant shall be entitled to direct the Trustee with respect to the voting of shares of IMATION common stock represented by units allocated to his or her Company Match Account. Upon timely receipt of such directions, the Trustee shall vote the number of shares of IMATION common stock credited to the ESOP Stock Fund for which it has received directions in accordance with the directions of the Participants. Any shares of IMATION common stock credited to the ESOP Stock Fund for which the Trustee does not receive timely voting directions shall be voted by the Trustee in the same proportion as it votes the shares of IMATION common stock credited to the ESOP Stock Fund for which it did receive such directions. Participants shall be named fiduciaries, within the meaning of section 403(a)(1) of ERISA, of the Plan with respect to the directions given under this paragraph 5.4(a).
- (b) Stock Loan Suspense Account. Shares of IMATION common stock credited to

the Stock Loan Suspense Account shall be voted by the Trustee in the same proportion as it votes the shares of IMATION common stock credited to the ESOP Stock Fund for which it receives timely directions from Participants.

- (c) Procedure. IMATION and the Trustee shall establish and maintain a procedure by which Participants shall be timely notified of their right to direct the Trustee with respect to the voting of shares of IMATION common stock represented by units allocated to their Company Match Accounts, and the manner in which any such directions are to be conveyed to the Trustee. IMATION and the Trustee shall prepare all materials necessary to give effect to the Participants' voting rights, including proxies and other communications directed generally to the owners of shares of IMATION common stock entitled to vote, and shall mail or otherwise deliver all such materials to each Participant entitled to exercise voting rights pursuant to this Section. All voting directions given by Participants shall be held in strict confidence by the Trustee, and shall not be disclosed to any person.

SECTION 5.5 TENDER OR EXCHANGE OFFERS.

- (a) ESOP Stock Fund. Each Participant shall be entitled to instruct the Trustee that all, but not less than all, of the shares of IMATION common stock represented by units allocated to his or her Company Match Account shall be tendered or exchanged in the event of a tender or exchange offer for such stock. Upon timely receipt of such instructions, the Trustee shall tender or exchange the number of shares of IMATION common stock credited to the ESOP Stock Fund for which it has received instructions from Participants. The Trustee shall not tender or exchange any shares credited to the ESOP Stock Fund for which it has not received appropriate instructions from the Participants to whose Company Match Accounts units representing such shares are allocated. Participants shall be named fiduciaries, within the meaning of section 403(a)(1) of ERISA, of the Plan with respect to the instructions given under this paragraph 5.5(a).
- (b) Stock Loan Suspense Account. Shares of IMATION common stock credited to the Stock Loan Suspense Account shall be tendered or exchanged, or shall not be tendered or exchanged, by the Trustee in the same proportion as the number of shares credited to the ESOP Stock Fund for which timely instructions to tender or exchange are received from Participants bears to the total number of shares credited to the ESOP Stock Fund.
- (c) Procedure. IMATION and the Trustee shall establish a procedure by which Participants shall be timely notified of their right to instruct the Trustee with respect to the tender or exchange of shares of IMATION common stock represented by units allocated to their Company Match Accounts, and the manner in which any such instructions are to be conveyed to the Trustee. IMATION and the Trustee shall promptly provide to Participants copies of any such tender or exchange offer and any other communications directed generally to the owners of shares of IMATION common stock eligible to tender or exchange their shares. All tender or exchange instructions given by Participants shall be held in strict confidence by the Trustee, and shall not be disclosed to any person.
- (d) Proceeds. Any securities received by the Trustee as a result of a tender or exchange offer as provided in this Section 5.5 shall be held, and any cash so received shall be invested temporarily in short term investments, pending directions by the PRC.

SECTION 5.6 DIVERSIFICATION.

- (a) Eligibility to Make Election. Each Participant who has either (i) Retired as described in paragraph 2.1(bb) of Article 2, or (ii) both attained age 55 and completed five years of service with an Employer (including years of service with 3M), shall be eligible to elect to diversify the investment of a portion of his or her Company Match Account invested in the IMATION Stock Fund.
- (b) Election Procedure. In order to make a diversification election, an

eligible Participant must notify the Plan Administrator via the Plan's Voice Response System of the amount or percentage of his or her Company Match Account to be transferred and the other Fund or Funds to which such amount or percentage shall be transferred by the Trustee. Amounts which a Participant elects to diversify out of his or her Company Match Account may be transferred to any of the Funds described in Article 14 other than the 3M Stock Fund and the IMATION Stock Fund.

- (c) Amount. An eligible Participant may elect to diversify the investment of up to fifty percent (50%) of the value of his or her Company Match Account invested in the IMATION Stock Fund (reduced by any amounts previously diversified).
- (d) Transfer. Upon receipt of the notice described in paragraph (b) above from an eligible Participant, the Plan Administrator shall direct the Trustee to reinvest the respective portion of such Participant's Company Match Account in accordance with his or her instructions as soon as practicable following receipt of such notice.

ARTICLE 6. PERIODIC ADJUSTMENT OF ACCOUNTS

SECTION 6.1 PERIODIC ADJUSTMENTS.

As of each Valuation Date following the effective date of the Plan, the Retirement Savings, Company Match, CCA Pre-7/96, Performance Pays, Individual Retirement, Thrift and Rollover Accounts of each Participant and Beneficiary shall be revalued. As of each Valuation Date, the Trustee shall value the assets of the Trust at their fair market value and determine the net investment gain or loss of such assets since the preceding Valuation Date in accordance with the customary method of valuation employed by the Trustee, but in determining the net investment gain or loss:

- (a) the accrual basis of accounting shall be used,
- (b) general expenses of the Plan and Trust which have not been paid by the Employers shall be deducted, and
- (c) contributions to the Trust and payments, withdrawals or distributions from the Trust to provide benefits under the Plan for Participants and Beneficiaries shall not be considered as gains or losses of the Trust; provided, that any gain or loss realized on the sale of IMATION or 3M common stock in connection with the conversion of IMATION or 3M common stock to cash pursuant to a Participant's election to diversify the investment of his or her Company Match Account or to receive a distribution of cash from his or her Company Match or CCA Pre-7/96 Account, shall be considered as a gain or loss of the Trust.

After each Valuation Date, the net investment gain or loss for the period since the preceding Valuation Date shall be credited or debited, as of said Valuation Date, to the respective Accounts containing such assets and which are existing on said Valuation Date, in proportion to the value of each such Account on the preceding Valuation Date, but reduced by payments, withdrawals or distributions made from said Account, and reduced by any service fees applicable to each respective Account (as opposed to general expenses of the Plan and Trust) since the preceding Valuation Date.

The value of each Account, as adjusted by the preceding provisions of this Section 6.1, increased by contributions allocated to such Account, if any, and reduced by payments, applicable service fees, withdrawals and distributions made from such Account for the period since the prior Valuation Date, shall be the value of said Account on the Valuation Date.

SECTION 6.2 STATEMENTS.

As soon as administratively feasible after the end of each calendar quarter, each Participant shall be furnished with a statement of his or her Accounts in the Plan.

ARTICLE 7. VESTING

Each Participant shall at all times have a fully vested, nonforfeitable interest

in all of his or her Accounts under the Plan.

ARTICLE 8. DISTRIBUTION OF BENEFITS

SECTION 8.1 PAYMENT METHODS.

If a Participant is alive at the time distribution of his or her Accounts commences pursuant to Section 8.2, the Trustee shall pay the amount of such Accounts hereunder to such Participant by the method elected by him or her using the Plan's Voice Response System from the following available methods:

- (a) Termination of Employment. If the Participant ceases to be employed by an Employer or Affiliate for any reason other than Retirement or Disability, then his or her Accounts shall be paid by the method of a single lump sum distribution.
- (b) Disability. If the Participant ceases to be employed by an Employer or Affiliate due to Disability, then his or her Accounts shall be paid by either of the following methods:
 - (1) A single lump sum distribution; or
 - (2) Two or more partial payments in such amounts and at such times as may be selected by such Participant.
- (c) Retirement. If the Participant ceases to be employed by an Employer or Affiliate due to his or her Retirement, then his or her Accounts shall be paid by one of the following methods:
 - (1) A single lump sum distribution;
 - (2) Two or more partial payments in such amounts and at such times as may be selected by such Participant; or
 - (3) Two or more monthly, quarterly, semi-annual or annual (as selected by the Participant) installments over such period of time as the Participant shall select. Unless the Participant elects a different amount (which must be the same for each installment payment), the amount of each installment payment shall be determined by dividing the sum of the Participant's Account balances as of the Valuation Date immediately preceding the payment date for such installment by the number of installment payments remaining to be paid.

Participants shall be limited to a maximum of six partial payments in any Plan Year, and the minimum amount of any partial payment shall be \$100. Unless the Participant directs otherwise, each partial or installment payment made by the Plan in accordance with the provisions of this Section 8.1 shall be deemed to be made from and charged against such Participant's Accounts in the following order: (i) Thrift Account, (ii) Individual Retirement Account, (iii) Rollover Account, (iv) CCA Pre-7/96 Account, (v) Retirement Savings Account, (vi) Company Match Account, and (vii) Performance Pays Account.

SECTION 8.2 TIME OF PAYMENT.

- (a) Payment of each Participant's Accounts, as adjusted pursuant to Article 6, shall commence in accordance with Section 8.1 upon his or her separation from service (within the meaning of section 402(e) (4) (A) (iii) of the Code) with all Employers and Affiliates by reason of Retirement, Disability or termination of employment; provided, however, that no distribution of a Participant's Accounts to the Participant without his or her written consent may be made before such Participant's Normal Retirement Age if the value of such Participant's Accounts immediately prior to such distribution exceeds \$3,500. Notwithstanding the foregoing, a Participant who has Retired or is Disabled may elect to defer distribution, provided that such deferral does not exceed the limitations described in Section 8.5.
- (b) Notwithstanding the foregoing paragraph (a), payment of each Participant's Accounts, as adjusted pursuant to Article 6, shall commence in accordance with paragraph 8.1(a) upon his or her termination of employment with all Employers and Affiliates by reason

of:

- (1) The sale or other disposition by an Employer to an entity that is not an Affiliate of substantially all of the assets used by such Employer in a trade or business, but only if such Participant continues employment with the entity acquiring such assets; or
- (2) The sale or other disposition by an Employer or an Affiliate to an entity that is not an Affiliate of its interest in a subsidiary, but only if such Participant continues employment with such subsidiary;

provided, however, that no distribution of a Participant's Accounts to the Participant without his or her written consent may be made before such Participant's Normal Retirement Age if the value of such Participant's Accounts immediately prior to such distribution exceeds \$3,500.

SECTION 8.3 FORM OF PAYMENT.

With the exception of the Company Match Account and the CCA Pre-7/96 Account, all payments of any Participant's Accounts shall be made in cash. Payment of a Participant's Company Match Account and CCA Pre-7/96 Account shall also be made in cash, unless the Participant elects to receive the entire amount of such Accounts (other than the portion which such Participant elected to invest in another Fund or Funds in accordance with Section 5.6) in the form of whole shares of IMATION common stock and 3M common stock, respectively, and cash for any fractional shares.

SECTION 8.4 DEATH.

The entire Accounts of a Participant, as adjusted pursuant to Article 6, shall be distributed in a single lump sum payment to his or her Beneficiaries upon his or her death; provided, that the Beneficiary or Beneficiaries may elect to have such distribution made to him or her or them, as the case may be, in installments over a period extending up to 5 years following the Participant's death. If such distribution is made in the form of installments, in no event may the aggregate amount of such installments for a Plan Year be less than the amount of earnings credited to the Accounts during that Plan Year.

Distribution upon the death of a Participant shall be made to:

- (a) the Participant's surviving spouse (unless such spouse has consented in writing to waive his or her right to receive such distribution) if such Participant was legally married at the time of his or her death, or
- (b) the person or persons, and in the proportions, designated in a writing signed by him or her and filed with the Plan Administrator if such Participant was not married at the time of his or her death or (if married) if his or her surviving spouse has consented in writing to waive her or his right to receive such distribution.

A Participant who is legally married may execute and file with the Plan Administrator a similar designation of Beneficiaries, but such designation shall not be valid or binding on the Plan unless (i) it includes the written consent of the Participant's spouse waiving her or his right to receive a distribution of the Participant's Accounts in the event of his or her death, and (ii) the spouse's signature has been witnessed by a notary public. Any special designation filed under the Plan may be revoked or changed by written instrument so signed (including the written consent of the Participant's spouse, if he or she is legally married) and filed prior to the Participant's death. If a Participant designates more than one person to receive such death benefit and any Beneficiary shall predecease him or her, the Trustee, pursuant to the Plan Administrator's instructions, shall distribute the deceased Beneficiary's share to the surviving designee or designees proportionately, as the portion designated by the Participant for each bears to the total portion designated for all survivors.

For purposes of this Section 8.4, a Participant's Beneficiary designation (if any) in effect under the VIP immediately prior to the transfer of such Participant's Accounts to this Plan shall remain in effect until the earlier of

(i) the date it is revoked by such Participant, and (ii) January 1, 1997. All Beneficiary designations made by Participants under the VIP shall become void and shall be disregarded for purposes of this Plan from and after January 1, 1997.

If a Participant who is not legally married at the time of his or her death files no designation or revokes a designation previously filed without filing a new designation, or if all persons designated shall predecease the Participant, the Trustee, pursuant to the Plan Administrator's instructions, shall distribute such death benefit or balance thereof to the first of the following survivors: (i) equally to the Participant's children; (ii) equally to the Participant's parents; (iii) equally to the Participant's brothers and sisters; and (iv) the Participant's estate executor(s) or administrator(s).

If a Beneficiary to whom payments hereunder are to be made pursuant to the Participant's designation or by operation of the foregoing provisions of this Section 8.4 survives the Participant but dies prior to complete distribution to him or her of his or her share:

- (c) unless the Participant has otherwise specified in his or her designation, the Trustee shall distribute the undistributed portion of such Beneficiary's share to such person or persons, including such Beneficiary's estate, as such Beneficiary shall have designated in a writing signed by such Beneficiary and filed with the Plan Administrator prior to such Beneficiary's death (which designation shall be subject to change or revocation by such Beneficiary at any time); or
- (d) if the Participant's designation specifies that such Beneficiary does not have the power to designate a successor beneficiary or if such Beneficiary is granted such power but fails to designate a successor beneficiary prior to such Beneficiary's death, the Trustee shall distribute the undistributed portion of such Beneficiary's share to such Beneficiary's estate.

Notwithstanding the foregoing provisions of this Section 8.4, in the event a Beneficiary, to whom payments hereunder would otherwise be made, disclaims all or any portion of his or her interest in such payments, such disclaimed portion of such Beneficiary's interest in such payments shall pass to the person or persons specified by the Participant to take such disclaimed interest or, in the event the Participant did not specify a person or persons to take disclaimed interests, such disclaimed portion of such Beneficiary's interest in such payments shall pass to the person or persons who would be entitled thereto pursuant to this Section 8.4 if such Beneficiary had predeceased the Participant.

SECTION 8.5 DISTRIBUTION LIMITATIONS.

- (a) Section 401(a)(9). Notwithstanding any provision of this Article 8 to the contrary, but subject to any election made by the Participant pursuant to the provisions of section 242(b) of the Tax Equity and Fiscal Responsibility Act of 1982, distribution of each Participant's Accounts must be made to such Participant either:
 - (1) in total, no later than the December 31 of the calendar year during which he or she attains age 70 1/2; or
 - (2) in installments commencing not later than the December 31 of the calendar year during which he or she attains age 70 1/2, and continuing either for the life of the Participant, for the lives of the Participant and his or her Beneficiary, for a period not extending beyond the Participant's life expectancy, or for a period not extending beyond the life expectancy of the Participant and his or her Beneficiary.

All distributions required to be made under this paragraph 8.5(a) shall be determined and made in accordance with the income tax regulations issued under section 401(a)(9) of the Code. Life expectancies of the Participant and the Participant's spouse will be recalculated annually in accordance with the rules of such regulations. Unless the Participant directs otherwise, each installment payment made by the Plan in order to comply with the requirements of this paragraph 8.5(a) shall be deemed to be made from and charged against such Participant's

Accounts in the following order: (i) Thrift Account, (ii) Individual Retirement Account, (iii) Rollover Account, (iv) CCA Pre-7/96 Account, (v) Retirement Savings Account, (vi) Company Match Account, and (vii) Performance Pays Account.

In the event the Participant dies after distribution of his or her Accounts has begun but before the entire amount of such Accounts has been distributed to him or her, and such Accounts were scheduled to be paid over a period not extending beyond the Participant's life expectancy or the life expectancy of the Participant and his or her Beneficiary, the distribution may continue to be made as so scheduled.

In the event the Participant dies before distribution of his or her Accounts has begun, the entire remaining amount of such Accounts shall be distributed to his or her Beneficiaries by December 31 of the fifth calendar year following the calendar year in which the Participant died, unless:

- (3) any portion of the Participant's Accounts is distributable to his or her surviving spouse over such spouse's lifetime (or over a period not exceeding such spouse's life expectancy), in which event this Section 8.5 shall not be applied to require distributions to such spouse to commence before the later of (i) December 31 of the calendar year immediately following the calendar year during which the Participant died, and (ii) December 31 of the calendar year during which such Participant would have attained age 70 1/2; provided, that if such surviving spouse dies before distributions to him or her begin, then the entire portion distributable to such surviving spouse shall be distributed within five (5) years following the death of such surviving spouse; or
- (4) any portion of the Participant's Accounts is distributable to a Beneficiary designated by the Participant over the life (or over a period not exceeding the life expectancy) of such Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died, in which event the distribution may continue to be made as so scheduled.

(b) Section 401(a)(14). Notwithstanding any provision of this Article 8 to the contrary, distribution of a Participant's Accounts shall begin, unless the Participant elects otherwise, no later than the 60th day after the latest of:

- (1) the last day of the Plan Year during which the Participant attains his or her Normal Retirement Age;
- (2) the last day of the Plan Year during which the tenth anniversary of the year in which the Participant commenced participation in the Plan occurs; or
- (3) the last day of the Plan Year in which the Participant terminates his or her service with all Employers.

(c) Section 409(o). Notwithstanding any provision of this Article 8 to the contrary, if a Participant so elects, distribution of his or her Company Match Account and CCA Pre-7/96 Account shall commence on or before the last day of the Plan Year immediately following the Plan Year:

- (1) in which the Participant separates from service with all Employers by reason of Retirement after having attained his or her Normal Retirement Age, Disability or death; or
- (2) which is the fifth Plan Year following the Plan Year in which the Participant otherwise separated from service with all Employers (but only if such Participant has not been reemployed by an Employer);

provided, however, that in no event shall this paragraph 8.5(c) require a distribution to be made from a Participant's Company Match Account with respect to the portion thereof attributable to an outstanding Stock Loan.

SECTION 8.6 PAYMENT SATISFIES CLAIMS.

Any payment to or for the benefit of any Participant, Beneficiary, the legal representative thereof or any other person, pursuant to the terms of the Plan shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Trustee, the Plan Administrator and the Participating Employers, any of whom may require such payee, as a condition precedent to such payment, to execute a receipted release therefor.

SECTION 8.7 MISSING PERSONS.

The amount of a Participant's Account which is otherwise considered as nonforfeitable shall be forfeited as of the last day of the Plan Year ending 5 years after the later of:

- (a) the date of the Participant's termination of employment, or
- (b) the last date a payment from said Account was made, if at least one such payment was made, or
- (c) the first date a payment from said Account became payable if no payments have been made,

if the Trustee, after diligent inquiry, is unable to locate the Participant or his or her Beneficiary for purposes of making distribution.

Any amount so forfeited shall be used by the Trustee to defray the costs of administering the Plan. Notwithstanding the foregoing, if at any subsequent date such person is located, IMATION shall, to the extent not restored from the Trust's reserve for forfeitures, contribute an amount to the Trust, to be placed in a Retirement Savings Account, a Company Match Account, a CCA Pre-7/96 Account, an Individual Retirement Account, a Thrift Account, a Rollover Account or a Performance Pays Account, as the case may be (or pay directly to such person if the Plan is not then in existence), for such person, equal to the amount of forfeiture effected pursuant to this Section 8.7 attributable to each such Account, but reduced by any amount paid by the Trustee or IMATION to any state or political subdivision under any escheat law or statute.

SECTION 8.8 QUALIFIED DOMESTIC RELATIONS ORDERS.

Notwithstanding any provision of this Article 8 to the contrary, the Trustee may comply with any court order determined by the Plan Administrator to be a qualified domestic relations order (within the meaning of section 206(d)(3) of ERISA), even if such order requires the distribution to an alternate payee of all or a portion of a Participant's Accounts while he or she is still employed by an Employer and before such Participant's earliest retirement age (within the meaning of section 206(d)(3)(E)(ii) of ERISA).

SECTION 8.9 CLAIMS PROCEDURE.

Any Participant or Beneficiary who wishes to request an informal review of a claim for benefits or desires an explanation of a benefit calculation or denial shall direct a written request for informal review to the Plan Administrator. The Plan Administrator shall respond to the request by issuing a written notice to the Participant or Beneficiary within 60 days of its receipt of the request. Such notice shall be written in a manner calculated to be understood by the Participant or Beneficiary and shall set forth:

- (a) the specific reasons for any denial of benefits,
- (b) a specific reference to the provision or provisions of the Plan on which the denial is based,
- (c) a description of any additional information or material necessary for the Participant or Beneficiary to perfect his or her claim, and a description of why it is needed, and
- (d) an explanation of the Plan's claim review procedure and other appropriate information as to the steps to be taken if the Participant

or Beneficiary wishes to have his or her claim reviewed.

If the Plan Administrator determines that there are special circumstances requiring additional time to make a decision, the Plan Administrator shall notify the Participant or Beneficiary of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 60-day period. If a Participant or Beneficiary is determined by the Plan Administrator to be not eligible for benefits, or if the Participant or Beneficiary believes that he or she is entitled to greater or different benefits, he or she shall have the opportunity to have his or her claim reviewed by the Plan Administrator by filing a petition for review with the Plan Administrator within 120 days after receipt by him or her of the notice issued by the Plan Administrator. Said petition shall state the specific reasons the Participant or Beneficiary believes he or she is entitled to benefits or greater or different benefits. Within 60 days after receipt by the Plan Administrator of said petition, the Plan Administrator shall afford the Participant or Beneficiary (and his or her counsel, if any) an opportunity to present his or her position to the Plan Administrator, orally or in writing, and said Participant or Beneficiary (or his or her counsel) shall have the right to review the pertinent documents, and the Plan Administrator shall notify the Participant or Beneficiary of its decision in writing within said 60-day period, stating specifically the basis of said decision written in a manner calculated to be understood by the Participant or Beneficiary and referencing the specific provision or provisions of the Plan on which the decision is based. If, because of special circumstances such as the need for a hearing, the 60-day period is not sufficient, the decision may be deferred for up to another 60-day period at the election of the Plan Administrator, but notice of this deferral shall be given to the Participant or Beneficiary.

SECTION 8.10 DIRECT ROLLOVERS.

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the PRAC, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

- (a) Eligible Rollover Distribution. For purposes of this Section 8.10, an eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:
- (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more;
 - (2) any distribution to the extent that such distribution is required under section 401(a)(9) of the Code; and
 - (3) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).
- (b) Eligible Retirement Plan. For purposes of this Section 8.10, an eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.
- (c) Distributee. For purposes of this Section 8.10, a distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former

spouse.

- (d) Direct Rollover. For purposes of this Section 8.10, a direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

ARTICLE 9. WITHDRAWALS DURING EMPLOYMENT

SECTION 9.1 WITHDRAWAL FROM RETIREMENT SAVINGS ACCOUNT.

As of any Valuation Date, a Participant may withdraw from his or her Retirement Savings Account all or any portion of the difference between the then outstanding balance of any loans from such Retirement Savings Account under Article 10 and the value of such Retirement Savings Account upon the Plan Administrator's receipt of the Participant's telephone instructions if he or she either:

- (1) has attained age 59 1/2; or
- (2) has become Disabled.

SECTION 9.2 WITHDRAWAL FROM INDIVIDUAL RETIREMENT ACCOUNT.

As of any Valuation Date, a Participant may withdraw from his or her Individual Retirement Account all or any part of the value thereof specified in his or her telephone instructions to the Plan Administrator.

SECTION 9.3 WITHDRAWAL FROM THRIFT ACCOUNT.

As of any Valuation Date, a Participant may withdraw from his or her Thrift Account all or any part of the value thereof specified in his or her telephone instructions to the Plan Administrator. Such withdrawal shall be made in the following order:

- (a) first, from the contributions made to such Account under the VIP prior to January 1, 1987;
- (b) second, pro rata from the contributions made to such Account under the VIP and the earnings credited to such Account under the VIP and this Plan after December 31, 1986; and
- (c) third, from the earnings credited to such Account under the VIP prior to January 1, 1987.

SECTION 9.4 WITHDRAWAL FROM ROLLOVER ACCOUNT.

As of any Valuation Date, a Participant may withdraw from his or her Rollover Account all or any portion of the difference between the then outstanding balance of any loans from such Rollover Account under Article 10 and the value of such Rollover Account specified in his or her telephone instructions to the Plan Administrator.

SECTION 9.5 WITHDRAWAL FROM COMPANY MATCH ACCOUNT, CCA PRE-7/96 ACCOUNT, AND/OR PERFORMANCE PAYS ACCOUNT.

As of any Valuation Date, a Participant may withdraw from his or her Company Match Account, CCA Pre-7/96 Account and/or Performance Pays Account all or any portion of the value thereof, upon the Plan Administrator's receipt of the Participant's telephone instructions if he or she either:

- (a) has attained age 59 1/2 ; or
- (b) has become Disabled.

SECTION 9.6 PROCEDURES.

No withdrawal may be made under this Article 9 unless the Participant making the withdrawal gives the Plan Administrator appropriate telephone instructions and

such other information as the Plan Administrator requires to confirm that such Participant is eligible to make such withdrawal. Withdrawals from the Plan made by Participants who are then employed by an Employer shall be limited to a maximum of six in each Plan Year, and the minimum amount of any withdrawal shall be \$100. Notwithstanding the preceding sentence, the PRAC may, by uniform rules, liberalize or further restrict the frequency and timing of withdrawals, but, subject to the provisions of this Article 9, such rules shall permit at least one withdrawal from each type of Account in each calendar year and may impose a service fee for withdrawals in excess of the number which the PRAC determines may be made without any service fee. Unless the Participant directs otherwise, withdrawal made in accordance with the provisions of this Article 9 shall be deemed to be made from and charged against such Participant's Accounts in the following order: (i) Thrift Account, (ii) Individual Retirement Account, (iii) Rollover Account, (iv) CCA Pre-7/96 Account, (v) Retirement Savings Account, (vi) Company Match Account, and (vii) Performance Pays Account.

ARTICLE 10. LOANS

SECTION 10.1 AMOUNT AND NUMBER.

A Participant may, upon complete and proper application being made to the Plan Administrator via the Plan's Voice Response System, borrow from his or her Retirement Savings Account and/or Rollover Account an amount which (when added to the outstanding balance of any other loans made by the Plan to the Participant) does not exceed the lesser of:

- (a) fifty percent (50%) of the combined value of the Participant's Retirement Savings Account, Rollover Account, CCA Pre-7/96 Account and Company Contribution Account as of the last preceding Valuation Date;
- (b) \$50,000.00 reduced by the highest outstanding balance of loans from the Plan to the Participant during the 12-month period ending on the day before the date of the new loan; and
- (c) ninety percent (90%) of the combined value of the Participant's Retirement Savings Account and Rollover Account as of the last preceding Valuation Date.

The minimum loan amount shall be \$500.

No Participant shall have more than two loans outstanding from the Plan at any time.

Prior to any loan being made to a Participant hereunder, the Plan Administrator shall deliver to the Participant requesting the loan a clear statement of the charges involved in the proposed loan transaction, which statement shall include the dollar amount of the loan and the annual rate of the finance charge.

The PRAC may, by uniform rules, impose a service fee in connection with any loan made hereunder, which shall be included in the amount of such loan.

SECTION 10.2 LOAN INTEREST AND REPAYMENT PERIOD.

Each such loan shall be evidenced by a promissory note of the Participant to the Trust, shall bear interest at a reasonable rate established by the PRAC under uniform rules, and shall be repaid to the Trust by payroll deductions with substantially equal payments of principal and interest over a period not to exceed 60 months. Notwithstanding the foregoing, the Participant may prepay in cash (via a cashier's check or money order) the entire outstanding balance of any loan at any time.

SECTION 10.3 SEGREGATED ACCOUNT.

Any loan made hereunder to a Participant shall be treated as a separate, segregated investment account of the Participant. Accordingly, at the time such loan transaction is consummated, the Participant's allocated interest in the Fund or Funds in which his or her Retirement Savings Account and/or Rollover Account is then invested shall be reduced, on a pro rata basis among such Fund or Funds, by the principal amount of such loan.

Amounts of interest paid by the Participant under the loan shall be treated as

earnings of his or her Retirement Savings Account and/or Rollover Account, and payments of interest and repayments of principal shall be credited to the investment Fund or Funds in which such Account or Accounts are otherwise invested, in accordance with the Participant's most recent investment directions.

SECTION 10.4 SECURITY.

All loans made pursuant to this Article 10 shall be secured by the necessary portion of the Participant's Retirement Savings Account, Rollover Account, CCA Pre-7/96 Account and Company Match Account balances. In the event the Participant does not repay any such loan within the time prescribed for repayment thereof, the Plan Administrator may:

- (a) initiate collection proceedings for the unpaid balance of such loan and accumulated interest, plus collection and attorney fees (where permitted by law); or
- (b) deduct the remaining unpaid balance of such loan from the amount to which the Participant would be entitled following the occurrence of an event which enables the Plan to pay benefits to such Participant. In the event there remains an unpaid balance under any such loan at the time distribution is to be made following the occurrence of such an event, distribution to the Participant or his or her Beneficiaries, as the case may be, shall be made by delivering the value of the Participant's Account balances and the note to such person, and such delivery shall be in full satisfaction of all amounts due such person under the Plan.

SECTION 10.5 ADMINISTRATION OF LOAN PROGRAM.

The Plan Administrator shall administer the loan program authorized by this Article 10 in a uniform and nondiscriminatory manner, in accordance with the rules and procedures therefor which may be established by the PRAC.

ARTICLE 11. ADMINISTRATION

SECTION 11.1 ADMINISTRATOR.

IMATION shall be a named fiduciary and the Plan Administrator of the Plan. As Plan Administrator, IMATION shall administer the Plan in accordance with its terms, and shall have all powers necessary to carry out its terms. IMATION may retain one or more agents to perform administrative and recordkeeping services with respect to the Plan, and IMATION may require or permit certain notices, elections and instructions otherwise required or permitted to be given to the Plan Administrator to be given to such agent or agents on its behalf.

SECTION 11.2 DELEGATION.

IMATION's Board of Directors shall have the power to delegate specific fiduciary duties and responsibilities (other than those of the Trustee with respect to the custody and control of the assets of the Trust). Such delegations may be to officers or other employees of IMATION or to other individuals or entities. Any delegation by IMATION may, if specifically stated, allow further delegations by the individual or entity to whom the delegation has been made. Any delegation may be rescinded by IMATION at any time. Each person or entity to whom a fiduciary duty or responsibility has been delegated shall be responsible for the exercise of such duties or responsibilities and shall not be responsible for the acts or failure to act of any other fiduciary.

SECTION 11.3 PLAN ADMINISTRATION.

The PRAC shall be a named fiduciary and, unless otherwise provided by resolution of the PRC, shall have the power and responsibility to:

- (a) Adopt rules and regulations not inconsistent with the declared purposes and specific provisions of the Plan for their administration;
- (b) Interpret and construe the provisions of the Plan;

- (c) Determine from time to time the status of all Employees and Participants and Beneficiaries for the purposes of the Plan;
- (d) Determine the rights of Employees, Participants and Beneficiaries to benefits under the Plan, the amount thereof and the method and time or times of payment of the same;
- (e) Instruct the Trustee to make benefit payments pursuant to the Plan;
- (f) Impose reasonable service fees in accordance with uniform rules with respect to changes or other transactions requested by Participants or Beneficiaries; and
- (g) Delegate to a subcommittee or to an individual or individuals such of its duties and responsibilities as it shall specify in writing to such subcommittee members and/or individual or individuals.

In addition to the foregoing, the PRAC shall have the power to appoint, review and remove an Acting Plan Administrator and other individuals to implement and assist in the administration of the Plan. The Acting Plan Administrator shall be delegated the authority of the PRAC set forth above, and shall have the authority to retain such other agents deemed advisable, including, but not limited to, legal and accounting counsel, subject to the approval of the PRAC.

The PRAC shall have no power to add to, or subtract from, any of the terms of the Plan, or to change any benefits provided by the Plan, or to waive or fail to apply any requirements for eligibility for a benefit under the Plan, except as specified by IMATION.

SECTION 11.4 FACILITY OF PAYMENT.

Whenever, in the PRAC's or Plan Administrator's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the PRAC or Plan Administrator may direct the Trustee to make payments to such person or to his or her legal representative for his or her benefit. Any payment of a benefit or installment thereof in accordance with the provisions of Articles 8 or 9 shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

SECTION 11.5 TRUST AGREEMENT.

IMATION shall enter into a trust agreement with a Trustee selected by the PRC in its sole discretion. All contributions made under this Plan shall be paid to the Trustee and deposited in the Trust. The Trustee shall hold, invest, reinvest and distribute the assets of the Trust in accordance with the provisions of this Plan and the trust agreement. The PRC will determine the provisions of such trust agreement and may modify such agreement from time to time to accomplish the purposes of this Plan. The PRC shall review and may, in its sole discretion, remove any Trustee and select any successor Trustee. The trust agreement may provide that the Trust created thereby may be used to fund hold the assets of this Plan and any other qualified plan maintained by an Employer which meets the requirements of section 401(a) of the Code.

SECTION 11.6 ADMINISTRATION OF TRUST.

The Trust shall be administered by the PRC. The PRC shall have such powers as may be necessary to perform its duties under this Plan, including the power:

- (a) to establish and review a funding policy for the Plan which is consistent with the Plan's needs and objectives, and to direct and supervise the Trustee to see that this policy is carried out;
- (b) to appoint, review and remove investment managers, who shall be charged with the power and responsibility to direct the Trustee as to the management, acquisition and disposition of any or all assets of the Trust or any separate Fund; provided that such investment managers meet the requirements of section 3(38) of ERISA;
- (c) to authorize IMATION's Treasurer to direct the Trustee as to the

management, acquisition and disposition of the portion of the Stable Value Fund invested in (1) interest-earning securities and pooled investment funds investing in such securities, (2) financial derivatives, including but not limited to futures, options and swaps, and (3) benefit responsive contracts; and

- (d) to direct the Trustee to use any or all assets of the Trust to purchase insurance policies or annuity contracts, or any combination of the foregoing, from any insurance company qualified to do business in a state.
- (e) Receive and review periodic reports of audits of the Plan made by a certified public accountant;

The PRC shall authorize the Plan Administrator and other persons it selects to issue written instructions and directions to the Trustee concerning the payment of expenses from the Trust, the investment of Trust assets and such other matters as are consistent with the provisions of this Plan and the trust agreement, and shall instruct the Trustee to rely on such written instructions and directions.

SECTION 11.7 REPORTS AND RECORDS.

IMATION and those to whom IMATION has delegated fiduciary duties shall keep records of all their proceedings and actions, and shall maintain all such books of account, records and other data as shall be necessary for the proper administration of the Plan and to comply with applicable law.

SECTION 11.8 PAYMENT OF EXPENSES.

The Employers may pay all expenses of administering the Plan, including but not limited to Trustee's fees, attorney fees, recordkeeping and customer service fees, and expenses incurred by persons or entities to whom fiduciary duties have been delegated; provided, that, if the Employers do not pay such expenses, the Trust shall pay such expenses upon statements issued by the person incurring such expense. If the Trust pays such expenses, the Trustee shall have the discretion to determine whether any expenses are to be paid with forfeitures or charged against Retirement Savings Accounts, Company Match Accounts, CCA Pre-7/96 Accounts, Performance Pays Accounts, Individual Retirement Accounts, Thrift Accounts, Rollover Accounts, or any combination in such proportions as determined by the Trustee, or against any separate Fund created pursuant to Article 14.

SECTION 11.9 SERVICE OF PROCESS.

In the absence of any designation to the contrary, in any legal proceeding, including arbitration, involving the Plan, the corporate secretary of IMATION is designated as the appropriate and exclusive agent for receipt of service of process directed to the Plan.

SECTION 11.10 INDEMNIFICATION.

To the extent permitted by law, the Employers shall indemnify the members of the PRC, the PRAC, individual Trustees and others to whom IMATION has delegated fiduciary duties pursuant to the provisions of this Article 11, who are either employees, officers or directors of IMATION or its Affiliates, against any and all claims, loss, damages, expense and liability arising from their responsibilities in connection with the Plan which is not covered by insurance (without recourse) paid for by the Employers, unless the same is determined to be due to gross negligence or intentional misconduct.

ARTICLE 12. AMENDMENT TO, AND TERMINATION OF, PLAN

SECTION 12.1 AMENDMENTS.

IMATION shall have the right, at any time and from time to time, to modify or amend the Plan either prospectively or retroactively or both:

- (a) in any respect by resolution of its Board of Directors; or

(b) by the PRC:

- (1) in any respect that does not materially increase the cost of the Plan; or
- (2) to the extent necessary, proper or desirable to enable the Plan to remain qualified under section 401(a) of the Code or to comply with ERISA;

provided, however, that no such amendment shall:

- (A) substantially enlarge the duties and responsibilities of the Trustee without its written consent thereto;
- (B) either directly or indirectly have the effect of giving any Employer any interest in any part of the corpus or income of the Trust or cause any part of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries; and
- (C) deprive any Participant, or the Beneficiary of a deceased Participant, of any benefit already accrued or vested, unless such amendment has been made retroactively to the effective date of the Plan or to any other date, which is at any time required to bring the Plan into conformity with government regulations so as to maintain the tax-qualified status of the Plan and the tax-exempt status of the Trust.

Any amendment adopted under the provisions of this Section 12.1 shall be deemed a part of the Plan as if incorporated herein, and the Plan shall be deemed accordingly amended. Unless an Employer elects to withdraw from the Plan within 10 days of receiving notice of such amendment, it shall be deemed to have agreed to, and accepted, the amendment.

An Employer may withdraw from the Plan by adopting a resolution of its Board of Directors, stating the date of withdrawal, and serving a certified copy on IMATION. IMATION shall certify any withdrawal to the Trustee. A withdrawal shall be treated as a termination with respect to that Employer.

IMATION shall have the authority, by action of its Board of Directors, to require any other Participating Employer to withdraw from the Plan.

SECTION 12.2 TERMINATION OF PLAN.

IMATION and the Employers have established the Plan with the bona fide intention and expectation that the Plan will be permanent, but neither IMATION nor the Employers are, nor shall they be, under any obligation or liability whatsoever to continue to maintain the Plan for any given length of time. The Board of Directors of IMATION reserves the right, in its sole and absolute discretion, to terminate the Plan in its entirety at any time without any liability whatsoever for such termination.

SECTION 12.3 DISTRIBUTIONS.

Upon termination of the Plan or discontinuance of the Employers' contributions for any reason whatsoever, all Accounts shall become nonforfeitable, and the Trustee shall distribute the assets of the Trust according to the provisions of Article 8; provided, however, that no distribution of any Participant's Retirement Savings Account, Company Match Account, CCA Pre-7/96 Account or Performance Pays Account may occur pursuant to this Section 12.3 prior to the termination of the Plan without the existence or establishment of another defined contribution plan (other than an employee stock ownership plan) by an Employer or Affiliate within the period ending twelve months after the distribution of all Retirement Savings, Company Match, CCA Pre-7/96 and Performance Pays Account assets.

SECTION 12.4 PARTIAL TERMINATION.

Upon termination of the Plan with respect to a group of Participants which constitutes a partial termination of the Plan, the Trustee shall allocate and segregate for the benefit of Participants with respect to whom the Plan is being terminated, the proportionate interest of such persons in the Trust, as determined by the Trustee. The Accounts of all such persons shall become nonforfeitable, and the Trustee shall distribute the segregated assets of the Trust to said persons according to the provisions of Article 8 as if it were a total termination of the Plan; provided, however, that no distribution of any Participant's Retirement Savings Account, Company Match Account, CCA Pre-7/96 Account or Performance Pays Account may occur pursuant to this Section 12.4 prior to the termination of the Plan without the existence or establishment of another defined contribution plan (other than an employee stock ownership plan) by an Employer or Affiliate within the period ending twelve months after the distribution of all Retirement Savings, Company Match, CCA Pre-7/96 and Performance Pays Account assets.

ARTICLE 13. MISCELLANEOUS

SECTION 13.1 NO GUARANTY OF EMPLOYMENT.

The adoption and maintenance of the Plan and Trust shall not be deemed to be a contract between an Employer and any Employee. Nothing herein contained shall be deemed to give any Employee the right to be retained in the employ of an Employer or to interfere with the right of an Employer to discharge any Employee at any time, nor shall it be deemed to give any Employer the right to require any Employee to remain in its employ, nor shall it interfere with the Employee's right to terminate his or her employment at any time.

SECTION 13.2 CONSTRUCTION OF AGREEMENT.

The Plan shall be construed according to the laws of the State of Minnesota to the extent not preempted by Federal law; provided, however, that, if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Plan and the Trust being a qualified plan and trust within the meaning of section 401(a) of the Code. If any provision of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

SECTION 13.3 SPENDTHRIFT PROVISION.

Except as otherwise provided by applicable law in connection with marriage dissolution proceedings, benefits payable hereunder and any interest of a Participant or Beneficiary in the Trust shall not be subject to assignment, transfer or anticipation or otherwise alienable, either by voluntary or involuntary act or by operation of law, nor subject to attachment, execution, garnishment, levy, sequestration or other seizure under any legal or equitable process.

SECTION 13.4 HEADINGS.

Headings and sub-headings in the Plan are inserted for convenience of reference only, and are not to be considered in the interpretation or the construction of the provisions of the Plan.

SECTION 13.5 LIMITATION ON EMPLOYER'S AND TRUSTEE'S LIABILITY.

Neither the Trustee, IMATION nor any Employer guarantees the benefits payable under the Plan and Trust Agreement, and payments which are specified to be made to Participants and Beneficiaries shall be made exclusively from the assets of the Trust.

SECTION 13.6 MERGER.

In the event of any merger or consolidation of the Plan with any other plan, no assets or liabilities of the Plan shall be transferred to any other plan unless each person having an interest in the Trust would (if the Plan were then

terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

SECTION 13.7 COUNTERPARTS.

The Plan may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

SECTION 13.8 EXCLUSIVE BENEFIT.

Except with respect to the payment of administrative expenses, in no event shall any part of the Trust assets be paid to, or become vested in, any Employer, or be used for any purpose whatsoever other than for the exclusive benefit of Participants and their Beneficiaries, except that contributions to the Plan may be returned if the Plan does not qualify under section 401(a) of the Code, the contribution is made pursuant to a mistake of fact or the Employer is not allowed a deduction under section 404 of the Code with respect to such contribution, and the contributions are returned within one year after the occurrence of such an event.

ARTICLE 14. SEPARATE FUNDS

SECTION 14.1 IN GENERAL.

In recognition of the fact that the existing and future Participants and Beneficiaries may have diverse economic situations which make it desirable to permit some degree of individual selection of different types of investments in the Trust, the PRC may establish from time to time separate Funds within the Trust, and consolidate such Funds from time to time, subject to the following provisions of this Article 14.

SECTION 14.2 ESTABLISHMENT OF SEPARATE FUNDS.

The PRC may, at any time or from time to time, establish separate Funds by written resolution. Any separate Fund shall at all times remain a part of the Trust and subject to all of the Trust provisions, and the total of such separate Funds existing at any time shall comprise the total Trust attributable to Accounts.

In establishing separate Funds, the PRC may authorize, but shall not require, each Participant or Beneficiary having an interest in the Trust to transfer assets allocated to his or her Accounts from one separate Fund to another and to allocate future contributions to any separate Fund, at such time or times and upon such terms, restrictions, rules and conditions as the PRC may determine; provided, however, that all such terms, restrictions, rules and conditions shall:

- (a) Be uniform, requiring persons in like circumstances to be treated in the same manner (however, the PRC rules may distinguish between types of Accounts);
- (b) Grant to all Participants and Beneficiaries for each type of Account the right to select the separate Fund or Funds (authorized by the PRC) in which the assets allocated to his or her Accounts are to be invested;
- (c) Specify the general nature or type of investments to be utilized for each separate Fund.

Investment changes by Participants among the separate Funds may be made at any time in accordance with rules established by the PRAC. Notwithstanding the preceding sentence, the PRAC may, by uniform rules, liberalize or further restrict the frequency and timing of investment changes, but such rules shall permit at least one investment change in each calendar year and may impose a service fee for investment changes in excess of the number which the PRAC determines may be made without any service fee.

SECTION 14.3 INVESTMENT OF CCA PRE-7/96 AND COMPANY MATCH ACCOUNTS.

- (a) 3M Common Stock. Notwithstanding the provisions of Section 14.1 and 14.2, and with the exception of the portion which such Participant has elected to invest in another Fund or Funds in accordance with Section 5.6, the portion (if any) of each Participant's CCA Pre-7/96 Account attributable to the transfer of such Participant's company contribution account under the VIP to such Account shall be invested in the 3M Stock Fund. The 3M Stock Fund shall be invested substantially in 3M common stock, although dividends received by such Fund with respect to its shares of 3M common stock shall be invested in the other Funds of the Plan in accordance with the respective Participants' current elections for the investment of Elective Deferrals (or in the Stable Value Fund for those Participants who have no current election for the investment of Elective Deferrals).
- (b) IMATION Common Stock. Notwithstanding the provisions of Sections 14.1 and 14.2, and with the exception of the portion which such Participant has elected to invest in another Fund or Funds in accordance with Section 5.6, each Participant's Company Match Account shall be invested substantially in IMATION common stock and, with respect to dividends paid thereon, additional shares of such stock; provided, that in no event may Participants who are required to file reports pursuant to section 16(a) of the Securities Exchange Act of 1934 and rules promulgated thereunder have allocated, in the aggregate, to their Company Match Accounts an amount of IMATION common stock which would result in the value of such Accounts being in excess of 20% of the fair market value of the entire Trust Fund at any given time. To the extent such an excess would otherwise occur, each such Participant's investment in IMATION common stock within his or her respective Company Match Account shall be reduced and shall be invested in the manner, among such other investment Funds as may be available, as each such Participant shall specify.
- (c) Voting. To the extent the value of full and fractional shares of 3M or IMATION common stock are allocated to a Participant's CCA Pre-7/96 Account or Company Match Account, respectively, the Participant may direct the Trustee as to the manner in which such shares of stock are to be voted at a meeting of 3M or IMATION stockholders at which such shares of stock are entitled to vote. Any such shares of stock for which the Trustee does not receive timely voting instructions shall be voted by the Trustee in the same proportion as it votes the shares of 3M or IMATION common stock credited to the Participants' CCA Pre-7/96 Accounts or Company Match Accounts, respectively, for which it did receive such instructions. Participants shall be named fiduciaries, within the meaning of section 403(a)(1) of ERISA, of the Plan with respect to the directions given under this paragraph 14.3(c). All voting directions given by Participants shall be held in strict confidence by the Trustee and shall not be disclosed to any person.

SECTION 14.4 VALUATION OF SEPARATE FUNDS AND ACCOUNTS.

If any Participant or Beneficiary who has an interest in the Trust elects, or has elected, to have any part of his or her Accounts invested in more than one separate Fund, the value of his or her Accounts shall consist of the total of his or her proportionate interest in each separate Fund.

Each separate Fund shall be valued at the same times as the Trust is required to be valued, as provided in Article 6.

SECTION 14.5 CONSOLIDATION OF FUNDS.

At such time or times as the PRC may determine, one or more separate Funds (other than the 3M Stock Fund and the IMATION Stock Fund) may be consolidated, using fair market values as of the date of consolidation, such consolidation to be governed by such uniform terms, restrictions, rules and conditions as the PRC may determine. The consent of any individual Participant or Beneficiary shall not be required to permit a consolidation.

ARTICLE 15. TOP HEAVY PROVISIONS

Notwithstanding any provision of the Plan to the contrary, the provisions of this Article 15 shall govern in the event that the Plan is a Top Heavy Plan as of a Determination Date.

SECTION 15.1 SPECIAL DEFINITIONS.

Whenever used in the Plan the following terms shall have the respective meanings set forth below, unless the context clearly requires otherwise, and when the defined meaning is intended the term is capitalized.

- (a) "Credited Compensation" of a Participant for any Plan Year means for purposes of this Article 15 only the compensation paid by the Employer to such Participant during such Plan Year as determined pursuant to Treas. Reg. section 1.415-2(d)(2); provided that a Participant's Credited Compensation shall not include compensation in excess of \$150,000 (or such greater amount prescribed by the Secretary of the Treasury or his delegate).
- (b) "Determination Date" means, with respect to a particular Plan Year, the last day of the preceding Plan Year, which date shall also be a Valuation Date or, in the case of the first Plan Year of the Plan, the last day of such Plan Year.
- (c) "Key Employee" means any Employee who, at any time during the Plan Year or any of the four preceding Plan Years, is or was (i) an officer of the Employer having annual Compensation greater than 50 percent of the dollar limitation on annual benefits under a defined benefit pension plan under section 415(b)(1)(A) of the Code (but in no event shall more than fifty Employees or, if lesser, the greater of three Employees or ten percent of the Employees, be treated as officers), (ii) is one of the ten Employees having annual Compensation greater than the dollar limitation on annual additions to a defined contribution plan under section 415(c)(1)(A) of the Code and owning (or considered as owning within the meaning of section 318 of the Code) the largest interests in the Employer, (iii) a shareholder owning (or considered as owning within the meaning of section 318 of the Code) five percent or more of the outstanding shares of the Employer or shares possessing more than five percent of the total combined voting power of all shares of the Employer, or (iv) shareholders owning (or considered as owning within the meaning of section 318 of the Code) one percent of the outstanding shares of the Employer or shares possessing one percent of the combined voting power of all shares if such shareholder's Credited Compensation for the Plan Year exceeds \$150,000. For purposes of applying section 318 of the Code to the foregoing, subparagraph (C) of section 318(a)(2) of the Code shall be applied by substituting five percent for fifty percent. The rules of subsection (b), (c), and (m) of section 414 of the Code shall not be applicable for purposes of determining ownership in the Employer under this paragraph.
- (d) "Top Heavy Plan" means that as of the Determination Date for the Plan Year in question, (i) the aggregate balance of the Accounts of all Key Employees under the Plan exceeds sixty percent of the aggregate of the Accounts of all Employees and their Beneficiaries under the Plan, or, if applicable, (ii) the present value of the accrued benefits under a defined benefit plan maintained by the Employer for Key Employees exceeds sixty percent of the present value of the accrued benefits for all Employees and their beneficiaries under such plan. If the Employer maintains any other defined benefit plan or defined contribution plan in which a Key Employee participating in the Plan also participates (in the Plan Year containing the Determination Date or in any of the four preceding Plan Years) or maintains any such plans which permit this Plan to meet the coverage requirements of section 401(a)(4) of the Code or section 410 of the Code, then such plans will be aggregated with the Plan. In addition to such required aggregation, the Employer may include in the aggregation group any other defined contribution plans or defined benefit plans maintained by the Employer if such permissive aggregation thereby eliminates the Top Heavy status of the plans within the aggregation group. Any plan, including this Plan, in such aggregation group shall be deemed to be a Top Heavy Plan if the sum, as of the Determination Date, of the present value of the accrued benefits for Key Employees under all defined benefit plans included in such group and the aggregate of the account balances of Key Employees under

all defined contribution plans included in such group exceeds sixty percent of a similar sum for all Employees and their beneficiaries. For purposes of determining the aggregate value of the accrued benefit of all Employees and their beneficiaries or the account balances of all Employees and their beneficiaries such aggregate value shall be increased by the aggregate distributions made with respect to all Employees and their beneficiaries during the five-year period ending on the Determination Date, and there shall not be taken into account an Employee's contributions to his or her Individual Retirement Account or transfers to his or her Rollover Account under this Plan. In addition, there shall not be taken into account any accrued benefit or account balance of any individual who has not performed services for an Employer maintaining the plan at any time during the five-year period ending on the Determination Date. The present value of accrued benefits for defined benefit plans shall be determined using an interest rate of five percent per annum and the 1971 Group Annuity Mortality Table. For purposes of this paragraph 15.1(d) the term Employee shall not include any individual who was a Key Employee but is now not a Key Employee. A plan is a "Super Top Heavy Plan" if, as of the Determination Date, the plan would meet the test specified above for being a Top Heavy Plan if ninety percent were substituted for sixty percent in each place it appears in this paragraph 15.1(d).

SECTION 15.2 MINIMUM CONTRIBUTION.

Any contribution to be made to the Trust by an Employer for a Plan Year and forfeitures, if any, shall be allocated among the individuals entitled to participate in the Employer's contribution to the Trust for such Plan Year in the proportion that the Credited Compensation for such Plan Year of each such individual paid by the Employer bears to the Credited Compensation of all such individuals. Allocation of contributions pursuant to this Section 15.2 are subject to the following limitations:

- (a) No allocation shall be made to the Company Match Account of a Participant in excess of three percent of the Participant's Credited Compensation (four percent if the Plan is Super Top Heavy and the limitations set forth in Section 15.4 would otherwise be applicable).
- (b) No such allocation shall be made pursuant to this Section 15.2 if the Employer maintains a defined benefit pension plan or other defined contribution plan which provides for the accrual of a minimum benefit or the allocation of a minimum contribution in accordance with section 416(c)(1) of the Code as modified by section 416(h)(2) of the Code.

Any amounts not allocated because of the limitations set forth in paragraphs (a) and (b) shall be allocated in accordance with the allocation provisions set forth in Article 4 of the Plan. Notwithstanding the foregoing, if a defined benefit plan maintained by the Employer is included in the aggregation group with the Plan and this Plan enables such defined benefit plan to meet the requirements of section 401(a)(4) or 410 of the Code, then a minimum contribution of three percent of Credited Compensation (four percent of Credited Compensation if the Plan is Super Top Heavy and the limitation set forth in Section 15.4 would otherwise be applicable) shall be allocated to the Company Match Accounts of all Employees.

SECTION 15.3 VESTED ACCOUNT BALANCE.

The vested portion of an Employee's Company Match Account shall be the greater of (a) the vested percentage set forth in ARTICLE 7 of the Plan or (b) the vested percentage determined from the following table:

YEARS OF VESTING SERVICE	VESTED PERCENTAGE
Less than 2	0
2	20
3	40
4	60
5	80
6 or More	100

SECTION 15.4 LIMITATION ON BENEFITS.

If the Participant is a Key Employee in the Plan and any defined benefit plan maintained by the Employer, and the Plan is Super Top Heavy, the sum of such Participant's defined benefit plan fraction and defined contribution plan fraction, as determined pursuant to section 415(e) of the Code (as modified by section 416(h) of the Code) for any Plan Year, may not exceed 1. The Employer may, in calculating the defined contribution plan fraction, elect to apply the transitional rule provided in section 415(e)(6) of the Code as modified by section 416(h)(4) of the Code. Provided the Plan is not a Super Top Heavy Plan, and section 416(h) of the Code would otherwise be applicable to the Plan, a Participant's defined benefit plan fraction and defined contribution plan fraction will be determined solely in accordance with section 415(e) of the Code and additional minimum contributions or benefits will be provided all Participants in accordance with Section 15.2.

In the event that the Plan is Super Top Heavy and the sum of a Participant's defined contribution plan and defined benefit plan fractions would otherwise exceed 1 for the Plan Year, then the accrued benefit of such Participant under any defined benefit pension plan will be reduced to the extent necessary so that such sum does not exceed 1. If after all such adjustments, the sum of the fractions would still exceed 1, then the annual additions under this Plan and any other defined contribution plan maintained by the Employer in which the Participant participates shall be adjusted in accordance with this Plan to the extent necessary in order that the sum of such fractions does not exceed 1.

SECTION 15.5 DISTRIBUTIONS.

Payment of benefits of any Key Employee in a Top Heavy Plan must commence no later than the taxable year of the Key Employee in which said Key Employee attains age 70 1/2 but only if the Plan is a Top Heavy Plan for the Plan Year ending in such taxable year.

SCHEDULE A

EMPLOYERS

As of July 1, 1996 the following entities are Employers for purposes of the Plan:

1. Imation Corp.
2. Imation Enterprises Corp.

IMATION CORP.

1996 DIRECTORS STOCK COMPENSATION PROGRAM

SECTION 1. PURPOSE

The purpose of the Program is to attract and retain well-qualified persons for service as nonemployee directors of the Company and to promote identity of interest between directors and stockholders of the Company. It is intended that the 1996 Directors Stock Compensation Program will provide for the granting to participants of stock options and restricted share units.

The Program is designed and intended to comply with Rule 16b-3 under the Securities Exchange Act of 1934 as amended (the "Exchange Act"), as such Rule may be amended from time to time ("Rule 16b-3"), and shall be interpreted in a manner consistent with the requirements thereof, as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

SECTION 2. DEFINITIONS

(a) "Accounting Date" shall mean the first business day following the annual meeting of stockholders of the Company; provided, that for the Plan Year that begins on the Effective Date, Accounting Date shall mean the Effective Date.

(b) "Basic Fee" shall mean the annual retainer payable to an Eligible Director with respect to each Plan Year (at the annual rate in effect on the Accounting Date of such Plan Year) for such Eligible Director's services on the Board (exclusive of any amounts payable with respect to service on a committee of the Board or other committee of directors or for attendance at Board or committee meetings).

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Change in Control Price" of the Common Stock shall equal the higher of (i) if applicable, the price paid for the Common Stock in the transaction constituting a Change in Control (as defined in Section 8) and (ii) the Fair Market Value of the Common Stock as of the last trading day preceding the date of the Change in Control.

(e) "Committee" shall mean the Compensation Committee of the Board.

(f) "Common Stock" shall mean the common stock, par value \$.01 per share, of the Company.

(g) "Company" shall mean Imation Corp.

(h) "Distribution" shall mean the distribution by Minnesota Mining and Manufacturing Company to its stockholders of shares of Common Stock of the Company.

(i) "Dividend Equivalent Right" shall mean a right, described in Section 5(b) hereof, of a holder of Restricted Share Units with respect to certain dividends paid on outstanding shares of Common Stock.

(j) "Effective Date" shall mean the effective date of the Distribution.

(k) "Eligible Director" shall mean each member of the Board who is not at the time of reference an employee of the Company or any of its subsidiaries.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" as of any date shall mean the average of the high and low prices for Common Stock on such date, as reported on the New York Stock Exchange Composite Transactions, rounded upwards to the nearest \$0.05; provided, however that the Fair Market Value as of the Effective Date shall mean the average of the daily averages of the high and low prices for Common Stock, as reported on the New York Stock Exchange Composite Transactions, on each day during the five consecutive trading days commencing on the Effective Date, rounded upwards to the nearest \$0.05.

(n) "Options" shall mean the stock options issued pursuant to Section 6 hereof.

(o) "Plan Year" shall mean the twelve-month period commencing on the Accounting Date; provided, that the first Plan Year of the Program shall commence on the Effective Date and end on the date of the first annual meeting of stockholders of the Company.

(p) "Program" shall mean the Company's 1996 Directors Stock Compensation Program.

(q) "Restricted Share Unit" shall mean a right to receive payment, in accordance with the conditions set forth herein, of the Fair Market Value of one share of Common Stock.

SECTION 3. ADMINISTRATION

The Program shall be administered by the Committee. In administering the Program, it will be necessary to follow various laws and regulations. It may be necessary from time to time to change or waive requirements of the Program to conform with the law, to meet special circumstances not anticipated or covered in the Program, or to carry on successful operation of the Program, and in connection therewith, the Committee shall have the full power and authority to:

(a) Prescribe, amend, and rescind rules and regulations relating to the

Program, establish procedures deemed appropriate for its administration, and make any and all other determinations not herein specifically authorized which may be necessary or advisable for its effective administration;

(b) Make any amendments to or modifications of the Program which may be required or necessary to make the Program set forth herein comply with the provisions of any laws, federal or state, or any regulations issued thereunder, and to cause the Company at its expense to take any action related to the Program which may be required under such laws or regulations; and

(c) Contest on behalf of the Eligible Directors or the Company, at the sole discretion of the Committee and at the expense of the Company, any ruling or decision on any issue related to the Program, and conduct any such contest and any resulting litigation to a final determination, ruling, or decision.

SECTION 4. SHARES SUBJECT TO THE PROGRAM

(a) No more than 800,000 shares of Common Stock, subject to adjustment pursuant to Section 7 hereof, shall be available for issuance under the Program.

(b) Shares of Common Stock issued under the Program may consist in whole or in part of authorized and unissued shares or of treasury shares, and no fractional shares shall be issued under the Program. Cash shall be paid in lieu of any fractional shares issuable under the Program.

SECTION 5. TERMS AND CONDITIONS OF RESTRICTED SHARE UNIT GRANTS

(a) Grant of Restricted Share Units. As of each Accounting Date commencing with the Effective Date, each Eligible Director shall automatically be granted a number of Restricted Shares Units (excluding fractional shares, which shall be paid in cash), the number of which shall be calculated by dividing 25% of his or her Basic Fee payable with respect to the Plan Year that commences on such Accounting Date by the Fair Market Value of one share of Common Stock on such Accounting Date.

(b) Restricted Share Units. Each grant of Restricted Shares Units under the Program shall comply with the following terms and conditions:

(1) NUMBER OF SHARES. Each grant shall state the number of Restricted Share Units to be granted.

(2) RESTRICTED SHARE UNIT ACCOUNT. Upon the grant of Restricted Share Units to an Eligible Director, such units shall be credited to an account established for such Eligible Director.

(3) DIVIDEND EQUIVALENT RIGHTS. Outstanding Restricted Share Units shall be credited with Dividend Equivalent Rights based upon dividends paid on outstanding shares of Common Stock from the date such Restricted Share Units are granted to the date of payment in respect of such Restricted Share Units. Such Dividend Equivalent Rights, once credited, shall be converted into an equivalent number of Restricted

Share Units (including fractional Restricted Share Units). If a dividend is paid in cash, each Eligible Director shall be credited, as of each applicable dividend payment date, in accordance with the following formula:

$$(A \times B) / C$$

in which "A" equals the number of Restricted Share Units held by the Eligible Director on the dividend payment date, "B" equals the cash dividend per share and "C" equals the Fair Market Value per share of Common Stock on the dividend payment date. If a dividend is paid in property other than cash, Dividend Equivalent Rights shall be credited, as of the applicable dividend payment date, in accordance with the formula set forth above, except that "B" shall equal the fair market value per share of the property that the Eligible Director would have received in respect of the number of shares of Common Stock equal to the number of Restricted Share Units held by the Eligible Director as of the dividend payment date, had such shares been owned as of the record date for such dividend.

(4) TIME OF PAYMENT. All payments in respect of an Eligible Director's Restricted Share Units shall be made as soon as practicable following the earlier of (i) the occurrence of a Change in Control, and (ii) the date the Eligible Director's service on the Board terminates for any reason.

(5) FORM OF PAYMENT. Payment in respect of Restricted Share Units shall be made in one lump sum payment in the form of shares of Common Stock. For purposes of the preceding sentence, any payment made upon the occurrence of a Change in Control in full or partial payment of Restricted Share Units shall equal the Change in Control Price multiplied by the number of shares (including fractional shares) of Common Stock relating to the Restricted Share Units with respect to which such cash payment is being made.

(6) STATEMENT OF ACCOUNT. Each Eligible Director shall receive an annual statement showing the number of Restricted Share Units that have been credited to the Eligible Director's account under the Program.

SECTION 6. GRANT OF OPTIONS

(a) Annual Grant. As of the Effective Date, each Eligible Director shall automatically be issued an Option pursuant to the Program to purchase a number of shares of Common Stock equal to 30,000 multiplied by a fraction (the "Option Fraction"), the numerator of which is the number of years in such Eligible Director's term of office as director and the denominator of which is three (3). Thereafter, each new Eligible Director (one who has not previously been granted Options under the Program) shall automatically be issued an Option pursuant to the Program to purchase a number of shares of Common Stock equal to

30,000 multiplied by the Option Fraction, as of the date such Eligible Director first becomes an Eligible Director. Each Eligible Director who is reelected to the Board shall be issued an Option to purchase 30,000 shares of Common Stock as of the date of reelection. Options shall be granted at an option price equal to the Fair Market Value of the Common Stock on the date of grant.

(b) Terms and Conditions of Options.

(i) Subject to paragraph (ii) below, each Option shall vest and become exercisable as to 10,000 shares of Common Stock underlying such Option on each of anniversary of the date of grant.

(ii) Notwithstanding paragraph (i) above, all outstanding and previously unvested options of an Eligible Director shall immediately vest and become fully exercisable upon the Eligible Director's death or disability or upon a Change of Control (as defined in Section 8). If an Eligible Director otherwise terminates service as an Eligible Director, any Options that have not become exercisable shall be forfeited as of the date of such termination of service. Subject to the foregoing and to Section 6(b)(iv) below, each Option shall expire on the date that is ten years following the date of grant (the "Expiration Date").

(iii) Options shall be exercised by written notice to the Secretary of the Company in such form as is from time to time prescribed by the Committee and by the payment in full, in cash or previously owned shares of Common Stock, of the aggregate option price of the shares of Common Stock for which the Option is being exercised. To the extent that an Option is not exercised by an optionee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable until the Expiration Date. Partial exercise shall be permitted from time to time, provided that exercises shall be in multiples of one hundred shares of Common Stock.

(iv) If for any reason during the term of a vested, unexercised and unexpired Option, the Eligible Director shall cease to be a member of the Board, such Option may be exercised, to the extent exercisable at the time of such termination of service, by the Eligible Director (or, in the event of such Eligible Director's death, such Eligible Director's estate) until the second anniversary of the date that the Eligible Director ceases to be a member of the Board.

SECTION 7. EFFECTS OF CERTAIN CHANGES IN CAPITALIZATION

In the event of any recapitalization, stock split, reverse stock split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event affecting the Common Stock, the maximum number or class of shares available under the Program, the number or class of shares, and exercise price, of Common Stock subject to outstanding Options, the number or class of shares of Common Stock automatically granted to Eligible Directors, and the number or class of shares of Restricted Share Units to be delivered or credited hereunder, as the

case may be, shall be adjusted by the Committee to reflect any such event.

SECTION 8. CHANGE IN CONTROL

(a) For purposes of this Section 8, the following words and phrases shall have the meanings indicated below, unless the context clearly indicates otherwise:

(i) "Person" shall have the meaning associated with that term as it is used in Sections 13(d) and 14(d) of the Act.

(ii) "Affiliates and Associates" shall have the meanings assigned to such terms in Rule 12b-2 promulgated under Section 12 of the Act.

(iii) "Act" shall mean the Securities Exchange Act of 1934.

(iv) "Continuing Directors" shall have the meaning assigned to such term in Article Thirteenth of the Company's Restated Certificate of Incorporation.

(v) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(b) For purposes of the Program, a Change in Control of the Company shall be deemed to have occurred if:

(i) any Person (together with its Affiliates and Associates), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as that term is defined in Rule 13d-3 promulgated under the Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities, unless a majority of the Continuing Directors of the Company's Board of Directors prior to that time have determined in their sole discretion that, for purposes of this Program, a Change in Control of the Company has not occurred; or

(ii) the Continuing Directors of the Company's Board of Directors shall at any time fail to constitute a majority of the members of such Board of Directors.

SECTION 9. TERM OF PROGRAM

The Program was approved by Minnesota Mining and Manufacturing Company, as sole stockholder of the Company, and shall become effective as of the Effective Date. This Program shall remain in effect until all authorized shares have been issued, unless sooner terminated by the Board.

SECTION 10. AMENDMENT; TERMINATION

The Board may at any time and from time to time alter, amend, suspend, or terminate the Program in whole or in part; provided, however, that no amendment which requires stockholder approval in order for the exemptions available under Rule 16b-3, to be applicable to the Program and the Eligible Directors shall be effective unless the same shall be approved by the stockholders of the Company entitled to vote thereon; and, provided further, that, so long as required by Rule 16b-3, the provisions of Section 5 and 6 hereof shall not be amended more than once every six months, other than to conform with changes in the Internal Revenue Code of 1986, as amended (the "Code"), the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules thereunder.

SECTION 11. RIGHTS OF ELIGIBLE DIRECTORS

Nothing contained in the Program or with respect to any grant shall interfere with or limit in any way the right of the stockholders of the Company to remove any Eligible Director from the Board pursuant to the bylaws of the Company, nor confer upon any Eligible Director any right to continue in the service of the Company as a director.

SECTION 12. GENERAL RESTRICTIONS

(a) Investment Representations. The Company may require any Eligible Director to whom Common Stock is issued, as a condition of receiving such Common Stock, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Common Stock for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with Federal and applicable state securities laws.

(b) Compliance with Securities Laws. Each issuance shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares upon any securities exchange or under any state or Federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance of shares thereunder, such issuance may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

(c) Nontransferability. To the extent required by Rule 16b-3, awards under this Program shall not be transferable by an Eligible Director other than by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code, or Title I of ERISA, or the rules thereunder.

SECTION 13. WITHHOLDING

The Company may defer making payments under the Program until satisfactory arrangements have been made for the payment of any federal, state or local income or employment taxes required to be withheld with respect to such payment or delivery.

SECTION 14. GOVERNING LAW

The Program and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Minnesota.

SECTION 15. UNFUNDED PROGRAM

Unless otherwise determined by the Committee, the Program shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Program shall not establish any fiduciary relationship between the Company and any Eligible Director or other person. To the extent any person holds any rights by virtue of a grant under the Program, such right shall be no greater than the right of an unsecured general creditor of the Company.

SECTION 16. HEADINGS

The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Program.

June 10, 1996

Minnesota Mining and Manufacturing
Company
3M Center
St. Paul, Minnesota 55144

Imation Corp.
1 Imation Place
Oakdale, Minnesota 55128
Attention: Deborah Weiss
Vice President

\$350 Million Five-Year Revolving Credit Facility

COMMITMENT LETTER

Ladies and Gentlemen:

Minnesota Mining and Manufacturing Company ("3M") and Imation Corp. ("Imation" or the "Company" and, together with 3M, "you") have advised us that, in connection with the formation by 3M of the Company, Imation Enterprises and their respective U.S. and non-U.S. subsidiaries and the distribution by 3M of 100% of the outstanding common stock of the Company to 3M's shareholders (such transactions being referred to herein as the "Spin-Off"), the Company desires to establish a \$350 million five-year revolving credit facility (the "Facility"), the proceeds of which would be used to refinance certain existing debt, to fund certain purchases of non-U.S. inventory and other short-term assets, to fund certain employee benefit plans and to fund loans by the Company to the Company's employee stock ownership plans, in each case in connection with the Spin-Off, and for the working capital needs and other general corporate purposes of the Company and its subsidiaries. You have asked Citibank, N.A. ("Citibank") to commit to provide the Company with financing commitments for the entire Facility.

Citibank is pleased to inform you of its commitment to provide the entire amount of the Facility, subject to the terms and conditions described in this letter and the attached Annex I (collectively, and together with the Fee Letter referred to below, the "Commitment Letter").

CONDITIONS PRECEDENT

The commitment of Citibank hereunder is subject to: (i) the preparation, execution and delivery of mutually acceptable loan documentation, including a credit agreement incorporating substantially the terms and conditions outlined in this Commitment Letter; (ii) the absence of (A) except as disclosed in Imation's Form 10 filed with the Securities and Exchange Commission prior to the date hereof, a material adverse change in the financial condition or results of operations of the Company, or the Company and its subsidiaries, taken as a whole, since December 31, 1995 and (B) any change in loan syndication, financial or capital market conditions generally that, in Citicorp Securities' judgment, would materially impair syndication of the Facility; (iii) the accuracy and completeness of all representations that you make to us and all information that you furnish to us and your compliance with the terms of this Commitment Letter; (iv) without limiting the terms set forth on the attached Annex I, Citicorp Securities' reasonable satisfaction with (A) the ownership, capital, corporate, organizational and legal structure of the Company and its subsidiaries; (B) the Company's tax assumptions and tax-sharing agreements; (C) the insurance maintained by the Company and its subsidiaries; (D) intellectual property matters affecting the Company and its subsidiaries and (E) the material contracts of the Company and its subsidiaries; (v) Citicorp Securities' reasonable satisfaction with the final terms and conditions of the Spin-Off, including, without limitation, all legal and tax aspects thereof, and all documentation relating to the Distribution shall be in form and substance reasonably satisfactory to Citicorp Securities; (vi) the payment in full of all fees, expenses and other amounts payable under this Commitment letter; and (vii) a closing of the Facility on or prior to July 15, 1996.

COMMITMENT TERMINATION

Citibank's commitment set forth in this Commitment Letter will terminate on July

15, 1996, unless the Facility closes on or before such date. Prior to such date, this Commitment Letter may be terminated (i) by you at any time at your option upon payment of all fees, expenses and other amounts then payable under this Commitment Letter or (ii) by Citibank if any event occurs or information has become available that, in its reasonable judgment, results or is likely to result in the failure to satisfy any condition set forth in the immediately preceding paragraph.

SYNDICATION

Citibank reserves the right, prior to or after the execution of definitive documentation with respect to the Facility, to syndicate all or a portion of its commitment to one or more other financial institutions reasonably acceptable to the Company that will become parties to such definitive documentation pursuant to a syndication to be managed by Citicorp Securities, Inc. ("Citicorp Securities") (the financial institutions becoming parties to such definitive documentation being collectively referred to herein as the "Lenders"). You understand that Citicorp Securities intends to commence syndication efforts promptly and that it may elect to appoint one or more syndication agents (which may include Citibank) to direct the syndication efforts on its behalf.

Citicorp Securities will act as the syndication agent with respect to the Facility and will manage all aspects of the syndication in consultation with you, including the timing of all offers to potential Lenders, the acceptance of commitments, and the determination of the amounts offered and the compensation provided.

You agree to take all action as Citicorp Securities may reasonably request to assist it in forming a syndicate acceptable to it and you. Your assistance in forming such a syndicate shall include but not be limited to: (i) making senior management and representatives of the Company available to participate in information meetings with potential Lenders at such times and places as Citicorp Securities may reasonably request; (ii) using your best efforts to ensure that the syndication efforts benefit from your lending relationships; and (iii) providing Citicorp Securities with all information reasonably deemed necessary by it to successfully complete the syndication.

To ensure an orderly and effective syndication of the Facility, you agree that until the termination of the syndication (as determined by Citicorp Securities), the Company will not, and will not permit any of its affiliates to, syndicate or issue, attempt to syndicate or issue, announce or authorize the announcement of the syndication or issuance of, or engage in discussions concerning the syndication or issuance of, any debt facility or debt security (including any renewals thereof) without the prior written consent of Citicorp Securities; provided, however, that the foregoing shall not limit 3M's ability to issue commercial paper, other short-term debt programs currently in place or equity or public debt securities.

You agree that Citibank will act as the sole agent bank for the Facility and that Citicorp Securities will act as sole syndication agent and that no additional agents, co-agents or arrangers will be appointed, or other titles conferred, without the consent of Citicorp Securities and Citibank. You agree that no Lender will receive any compensation of any kind for its participation in the Facility, except as expressly provided for in the Fee Letter (as defined below) or in the attached Annex I.

FEES

In addition to the fees described in Annex I, the Company agrees to pay the fees set forth in that certain letter between the Company and us of even date herewith (the "Fee Letter"). The terms of the Fee Letter are an integral part of Citibank's commitment hereunder, and constitute part of this Commitment Letter for all purposes hereof. Each of the fees described in the Fee Letter shall be nonrefundable when paid.

INDEMNIFICATION

You agree to indemnify and hold harmless Citibank, Citicorp Securities, each Lender and each of their affiliates and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto, arising out of or in connection with or relating to this Commitment Letter or the loan documentation or the transactions contemplated hereby or thereby, or any use made or proposed to be made with the proceeds of the Facility, whether or not such investigation, litigation or proceeding is brought by the Company, any of its shareholders or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a

party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

You agree that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to 3M, the Company or any of 3M's or the Company's shareholders or creditors for or in connection with the transactions contemplated hereby, except to the extent such liability is found in a final nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct; PROVIDED that nothing in this paragraph shall be deemed to constitute a waiver of any claim 3M or the Company may hereafter have for breach by any party of this Commitment Letter.

COSTS AND EXPENSES

In further consideration of the commitment of Citibank hereunder, and recognizing that in connection herewith each of Citibank and Citicorp Securities is incurring substantial costs and expenses (including, without limitation, fees and disbursements of counsel and its syndication agent(s), filing and recording fees and due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, messenger, appraisal, audit, insurance and consultant costs and expenses), you hereby agree to pay, or reimburse Citibank and Citicorp Securities on demand for, all such costs and expenses (whether incurred before or after the date hereof), regardless of whether any of the transactions contemplated hereby are consummated. You also agree to pay all costs and expenses of Citibank and Citicorp Securities (including, without limitation, fees and disbursements of counsel) incurred in connection with the enforcement of any of its rights and remedies hereunder.

CONFIDENTIALITY

By accepting delivery of this Commitment Letter, you agree that this Commitment Letter is for your confidential use only and that neither its existence nor the terms hereof will be disclosed by you to any person other than your respective officers, directors, employees, accountants, attorneys and other advisors, and then only on a "need to know" basis in connection with the transactions contemplated hereby and on a confidential basis. Notwithstanding the foregoing, following your acceptance of the provisions hereof and your return of an executed counterpart of this Commitment Letter to us as provided below, (i) you may make public disclosure of the existence and amount of Citibank's commitment hereunder and of Citibank's identity as agent bank, (ii) you may file a copy of this Commitment Letter (other than the Fee Letter) in any public record in which it is required by law to be filed and (iii) you may make such other public disclosures of the terms and conditions hereof as you are required by law, in the opinion of your counsel, to make.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

You represent and warrant that (i) all information that has been or will hereafter be made available to Citibank, any Lender or any potential Lender by you or any of your representatives in connection with the transactions contemplated hereby is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made and (ii) all financial projections, if any, that have been or will be prepared by you and made available to Citibank, any Lender or any potential Lender have been or will be prepared in good faith based upon reasonable assumptions (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and that no assurance can be given that the projections will be realized). You agree to supplement the information and projections from time to time so that the representations and warranties contained in this paragraph remain correct. It is understood and agreed that the representations and warranties set forth in this paragraph will, on and after the signing of definitive documentation for the Facility, be superseded by the representations and warranties set forth therein.

In issuing this commitment, Citibank is relying on the accuracy of the information furnished to it by or on behalf of the Company and its affiliates without independent verification thereof.

NO THIRD PARTY RELIANCE, ETC.

The agreements of Citibank hereunder and of any Lender that issues a commitment to provide financing under the Facility are made solely for the benefit of the Company and may not be relied upon or enforced by any other person. Please note that those matters that are not covered or made clear herein or in Annex I or in

the Fee Letter are subject to mutual agreement of the parties. The terms and conditions of this commitment may be modified only in writing.

You should be aware that Citibank or one or more of its affiliates may be providing financing or other services to parties whose interests may conflict with yours. Be assured, however, that consistent with Citibank's longstanding policy to hold in confidence the affairs of its customers, neither Citibank nor any of its affiliates will furnish confidential information obtained from you to any of its other customers. By the same token, neither Citibank nor any of its affiliates will make available to you confidential information that it obtained or may obtain from any other customer.

3M OBLIGATIONS

The obligations of 3M hereunder (other than under the paragraph captioned "Confidentiality") shall be terminated and of no further force and effect upon the consummation of the Spin-Off and the making of the initial loan under the Facility.

GOVERNING LAW, ETC.

This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York. This Commitment Letter sets forth the entire agreement between the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral, with respect hereto. This Commitment Letter may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, taken together, shall constitute one and the same Commitment Letter. Delivery of an executed counterpart of a signature page to this Commitment Letter by telecopier shall be as effective as delivery of a manually executed counterpart of this Commitment Letter. Your obligations under the paragraphs captioned "Fees", "Indemnification", "Costs and Expenses" and "Confidentiality" shall survive the expiration or termination of this Commitment Letter.

WAIVER OF JURY TRIAL

Each party hereto irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Commitment Letter or the transactions contemplated hereby or the actions of Citibank or Citicorp Securities in the negotiation, performance or enforcement hereof.

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this Commitment Letter and the Fee Letter and returning them to Ms. Heidi McKibben, Vice President, Citicorp Securities, Inc., 399 Park Avenue, New York, New York 10043 (telecopier: 212-832-9213) at or before 5:00 p.m. (New York City time) on Tuesday, June 11, 1996, the time at which the commitment of Citibank set forth above (if not so accepted prior thereto) will expire. If you elect to deliver this Commitment Letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

CITICORP SECURITIES, INC.,

By: _____
Title: Vice President

CITIBANK, N.A.

By: _____
Title: Attorney-in-Fact

ACCEPTED AND AGREED

this ___ day of June, 1996:

MINNESOTA MINING AND MANUFACTURING
COMPANY

By: _____
Title:

IMATION CORP.

By: _____
Title:

ANNEX I

IMATION CORP.

SUMMARY OF TERMS AND CONDITIONS
\$350 MILLION REVOLVING CREDIT FACILITY

BORROWER: Imation Corp. ("Imation" or the "Borrower").

ADMINISTRATIVE AGENT: Citibank, N.A. ("Citibank") (in such capacity, the "Agent").

ARRANGER: Citicorp Securities, Inc. ("Citicorp Securities").

LENDERS: Citibank and other financial institutions acceptable to the Agent and the Borrower.

TYPE OF FACILITY: A \$350,000,000 five-year Revolving Credit Facility, available in U.S dollars. All outstandings under the Revolving Credit Facility shall be payable in full at the Maturity Date.

PURPOSE: Proceeds of Advances under the Revolving Credit Facility will be used:

- (1) to refinance certain existing debt, to fund certain purchases of non-U.S. inventory and other short-term assets, to fund certain employee benefit plans and to fund loans by the Borrower to the Borrower's employee stock ownership plans (collectively, the "ESOP"), in each case in connection with (a) the formation by Minnesota Mining and Manufacturing Company ("3M") of Imation, Imation Enterprises and their respective U.S. and non-U.S. subsidiaries and (b) the distribution by 3M of 100% of the common stock of Imation to 3M's shareholders (the transactions referred to in the preceding clauses (a) and (b) being referred to herein as the "Spin-Off"); and
- (2) for the working capital needs and other general corporate purposes of the Borrower and its subsidiaries.

No more than \$50,000,000 of Advances under the Revolving Credit Facility shall be used to fund loans by the Borrower to the ESOP.

AVAILABILITY: The Revolving Credit Facility will be available in multiple drawings from time to time.

BORROWINGS: All Borrowings (other than Swing Loan Borrowings) shall be in minimum principal amounts of \$10,000,000 and integral multiples of \$1,000,000 in excess thereof. Swing Loan Borrowings shall be in minimum principal amounts of \$1,000,000.

All Advances (other than Swing Loan Advances) shall be made by the Lenders ratably in proportion to their respective commitments under the Revolving Credit Facility. Borrowings will be available on same day notice for Base Rate Advances (including Swing Loan Advances) and three business days' notice for Eurodollar Advances.

LETTER OF CREDIT
SUBLIMIT: Up to \$10,000,000 of standby Letters of Credit may be issued under the Revolving Credit Facility by

those Lenders designated in the credit agreement as issuing Lenders. The other Lenders under the Revolving Credit Facility will acquire participations in the Letters of Credit issued.

SWING LOAN SUBLIMIT: Up to \$10,000,000 at any time may be outstanding as Swing Loan Advances under the Revolving Credit Facility made by those Lenders designated in the credit agreement as Swing Loan Lenders. Swing Loan Advances will have maturities not exceeding seven days.

CLOSING DATE: July 1, 1996, or such other date as may be agreed upon by the Borrower and the Agent.

MATURITY DATE: Fifth anniversary of the Closing Date.

COMMITMENT REDUCTION: The Borrower will have the right, upon at least three business days' notice, to terminate or cancel, in whole or in part, the unused portion of the Revolving Credit Facility in excess of the aggregate outstanding Revolving Credit Advances, Swing Loan Advances and outstanding Letters of Credit, PROVIDED that each partial reduction shall be in a minimum amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof. Once terminated, a commitment may not be reinstated.

INTEREST RATES AND INTEREST PERIODS: At the Borrower's option, any Advance (other than Swing Loan Advances) will be available at the rates and for the Interest Periods stated below:

(a) Base Rate: a fluctuating rate equal to the Base Rate plus the Applicable Margin.

The Base Rate is a fluctuating rate per annum equal at all times to the highest of (i) Citibank's publicly announced "base" rate, (ii) 1/2 of 1% percent per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major U.S. money market banks, adjusted to the nearest 1/16 of 1%, and (iii) a rate equal to 1/2 of 1% per annum above the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers.

(b) Eurodollar Rate: a periodic fixed rate equal to LIBOR plus the Applicable Margin.

LIBOR is the average rate per annum (rounded upward to the nearest 1/16 of 1%) at which U.S. dollar deposits are offered by the Reference Banks to prime banks in the London interbank market at 11:00 A.M. (London time) two business days before the first day of the Interest Period and in amounts approximately equal to the Reference Banks' pro rata share of the contemplated Eurodollar Advance for a given Interest Period and with a maturity equal to such Interest Period, adjusted for reserve requirements.

Eurodollar Advances will be available for 1, 2, 3 and 6- month Interest Periods, as selected by the Borrower.

All Swing Loan Advances will bear interest at the Base Rate plus the Applicable Margin.

REFERENCE BANKS: Citibank and certain other Lenders to be

determined.

APPLICABLE MARGIN:

Prior to obtaining a rating on the Borrower's long-term senior unsecured indebtedness from Standard & Poor's or Moody's, the facility fee rate and applicable margins will be determined on the basis of (1) the ratio (the "Interest Coverage Ratio") of EBIT to Interest Expense (each to be defined) of the Borrower from time to time (determined for the first year after the Closing Date on the basis of the fiscal quarters that have ended since the Closing Date and, thereafter, on a rolling four-quarter basis) and (2) the total utilization (the "Utilization") of the Revolving Credit Facility (including outstanding Advances, Swing Loan Advances and Letters of Credit), as set forth in the pricing grid below:

<TABLE>
<CAPTION>

Level	Interest Coverage Ratio	Facility Fee Rate	Utilization		Utilization	
			(less than or equal to) 50%	(greater than) 50%	(less than or equal to) 50%	(greater than) 50%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	Greater than 7.00 to 1.00	0.125%	0.00%	0.05%	0.25%	0.30%
2	Less than or equal to 7.00 to 1.00 and greater than 3.50 to 1.00	0.15%	0.00%	0.05%	0.30%	0.35%
3	Less than or equal to 3.50 to 1.00 and greater than 2.50 to 1.00	0.20%	0.00%	0.05%	0.35%	0.40%
4	Less than or equal to 2.50 to 1.00	0.25%	0.50%	0.55%	0.50%	0.55%

</TABLE>

The Interest Coverage Ratio shall be deemed to be at Level 3 for the period from the Closing Date to September 30, 1996.

After the Borrower obtains a rating on its long-term senior unsecured indebtedness from Standard & Poor's or Moody's, the facility fee rate and applicable margins will be determined on the basis of (1) the lower of such ratings by Standard & Poor's and Moody's (or, if the Borrower obtains only one such rating, on the basis of such rating) and (2) the Utilization, as set forth in the pricing grid below:

<TABLE>
<CAPTION>

Level	Long-Term Senior Unsecured Debt Rating from Standard & Poor's and Moody's	Facility Fee Rate	Utilization		Utilization	
			(less than or equal to) 50%	(greater than) 50%	(less than or equal to) 50%	(greater than) 50%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	At least A- by Standard & Poor's and at least A3 by	0.090%	0.00%	0.05%	0.16%	0.21%

Moody's

2	Less than Level 1 but at least BBB+ by Standard & Poor's and at least Baa1 by Moody's	0.100%	0.00%	0.05%	0.20%	0.25%
3	Less than Level 2 but at least BBB by Standard & Poor's and at least Baa2 by Moody's	0.125%	0.00%	0.05%	0.25%	0.30%
4	Less than Level 3 but at least BBB- by Standard & Poor's and at least Baa3 by Moody's	0.180%	0.00%	0.05%	0.30%	0.35%
5	Less than Level 4	0.250%	0.50%	0.55%	0.50%	0.55%

</TABLE>

Any principal of any Advance that is not paid when due will bear interest at a rate per annum equal to 2% plus the rate otherwise applicable to such Advance (and, if a Eurodollar Advance is not paid when due, it will convert to a Base Rate Advance at the end of the Interest Period then in effect for such Eurodollar Advance). Any interest, fee or other amount that is not paid when due will accrue interest at a rate per annum equal to 2% plus the Base Rate plus the Applicable Margin. Any default interest will be payable on demand.

FACILITY FEES:

Facility fees under the Revolving Credit Facility (irrespective of usage) will be calculated and payable at the rates set forth in the above pricing grids. Facility fees will be payable quarterly and on the Maturity Date and will be computed on a 360-day basis.

LETTER OF CREDIT FEES:

Letter of Credit fees for the pro rata account of the Revolving Credit Lenders will be calculated and payable as set forth as the Applicable Margin for Eurodollar Advances in the above pricing grids. Letter of Credit fees will be payable quarterly and on the Maturity Date and will be computed on a 360-day basis.

ANNUAL AGENCY FEE:

As agreed between the Agent and the Borrower.

INTEREST PAYMENTS:

At the end of each Interest Period for each Advance, but no less frequently than quarterly. Interest to be computed on a 365/366-day basis for Base Rate Advances and a 360-day basis for Eurodollar Advances.

OPTIONAL PREPAYMENTS:

Advances may be prepaid without penalty, with notice not later than 11:00 A.M. for Base Rate Advances and with three business days' notice for Eurodollar Advances, in minimum amounts of \$10,000,000 and increments of \$1,000,000 in excess thereof. The Borrower will bear all costs related to the prepayment of a Eurodollar Advance prior to the last day of its Interest Period.

MANDATORY PREPAYMENTS:

Commitments under the Revolving Credit Facility shall be reduced (and outstanding Letters of Credit cash collateralized) in an amount equal to the net proceeds of:

- (a) Debt issuances by the Borrower and its Material Subsidiaries (as defined below); and
- (b) Material asset sales (including, without limitation, sales of accounts and other asset securitizations, but excluding

permitted sale-leasebacks) by the Borrower and its Material Subsidiaries,

subject (in the case of asset sales) to reinvestment of the net proceeds thereof in the business of the Borrower and its subsidiaries within one year and subject (in the case of all such prepayment events) to certain other carve-outs and exceptions to be agreed.

LOAN DOCUMENTATION:

The commitments will be subject to preparation, execution and delivery of mutually acceptable loan documentation which will contain conditions precedent, representations and warranties, covenants, events of default and other provisions customary for facilities of this nature, including, but not limited to, those noted below.

CONDITIONS PRECEDENT TO CLOSING:

Customary for facilities of this nature and others determined by Citibank to be appropriate, including, but not limited to:

- (1) Promissory Notes payable to each Lender.
- (2) Board resolutions and other corporate authority (including, without limitation, resolutions of 3M and its subsidiaries as to the Spin-Off and related transactions).
- (3) Incumbency certificates.
- (4) Favorable legal opinion from counsel for the Borrower.
- (5) Favorable legal opinion from counsel for the Agent.
- (6) Representations and Warranties.
- (7) The Lender's review of and satisfaction with the terms and conditions of, and the documents (collectively, the "SpinOff Documents") relating to, the Spin-Off; all conditions to the Spin-Off shall have been met or waived to the satisfaction of the Lenders; the properties and businesses contemplated to be transferred to or purchased by Imation and its subsidiaries under the Spin-Off Documents (the "Spin-Off Properties") shall have been (or shall simultaneously with the closing of the Revolving Credit Facility be) so transferred or purchased (PROVIDED that properties and businesses constituting not more than 10% of the Spin-Off Properties may not be so transferred or purchased on or prior to the Closing Date ("Delayed SpinOff Properties"), but substantially all of the Delayed SpinOff Properties shall be so transferred or purchased by Imation and its subsidiaries pursuant to the Spin-Off Documents no later than September 30, 1996); satisfactory arrangements shall be in place between 3M and Imation with respect to the attribution to Imation of the economic costs and benefits of ownership the Delayed Spin-Off Properties; and the Spin-Off shall otherwise have been (or shall simultaneously with the closing of the Revolving Credit Facility be) consummated in all material respects in accordance with the terms of the Distribution Agreement and the other Spin-Off Documents (without any waiver or amendment not consented to by the Lenders of any material term, provision

or condition therein), and in compliance with all applicable law.

- (8) The Lender's review of and satisfaction with:
- (a) the Borrower's tax assumptions and tax-sharing agreements;
 - (b) the ownership, capital, corporate, organizational and legal structure of the Borrower and its subsidiaries;
 - (c) the insurance maintained by the Borrower and its subsidiaries;
 - (d) intellectual property matters affecting the Borrower and its subsidiaries; and
 - (e) the material contracts of the Borrower and its subsidiaries, including, without limitation, (i) all documents relating to any material amount of indebtedness and other liabilities of the Borrower and its subsidiaries (including (x) guarantees, (y) other contingent obligations and (z) all liabilities assumed from 3M and its subsidiaries pursuant to the Spin-Off Documents), (ii) all material supply and purchase contracts of the Borrower and its subsidiaries, (iii) all material indemnity agreements, (iv) all employee benefit agreements and (v) all collective bargaining agreements.
- (9) Financial information, including pro forma financial statements reflecting the forecasted consolidated financial condition, income and expenses of the Borrower and its subsidiaries after giving effect to the Spin-Off, the extensions of credit under the Revolving Credit Facility and the other transactions contemplated hereby.
- (10) Solvency certificate of the Borrower.
- (11) The Lenders' satisfaction with ERISA and environmental matters affecting the Borrower and its subsidiaries.

CONDITIONS PRECEDENT TO
ALL ADVANCES:

Customary for facilities of this nature and others determined by Citibank to be appropriate, including, but not limited to:

- (1) All representations and warranties are true and correct in all material respects on and as of the date of the Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date.
- (2) No Event of Default or event which, with the giving of notice or passage of time or both, would be an Event of Default, has occurred and is continuing, or would result from such Borrowing.

REPRESENTATIONS
AND WARRANTIES:

Customary for facilities of this nature and others determined by Citibank to be appropriate, including, but not limited to the following representations and warranties as to the Borrower and each of its Material Subsidiaries:

- (1) Confirmation of corporate status and authority;
 - (2) Execution, delivery, and performance of loan documents do not violate law or existing agreements;
 - (3) All material corporate, governmental and third-party consents and approvals necessary in connection with the execution, delivery and performance of the loan documents and the Spin-Off shall have been obtained and shall remain in effect; all applicable waiting periods shall have expired without any action being taken by any competent authority; and no law or regulation shall be applicable that restrains, prevents or imposes materially adverse conditions upon the Revolving Credit Facility or the Spin-Off;
 - (4) No litigation which would have a material adverse effect on the financial condition or operations of the Borrower (or of the Borrower and its subsidiaries, taken as a whole), or which would affect the legality, validity and enforceability of the loan documents or the Spin-Off;
 - (5) Except as disclosed in the Borrower's Form 10 relating to the Spin-Off, no material adverse change in financial condition or results of operations of the Borrower (or of the Borrower and its subsidiaries, taken as a whole) since December 31, 1995 (determined based on the audited financial statements as at such date);
 - (6) Accuracy of information, financial statements;
 - (7) Material compliance with laws and regulations, including ERISA and all applicable environmental laws and regulations;
 - (8) Legality, validity, binding effect and enforceability of the loan documents;
 - (9) Not an investment company or a public utility holding company;
 - (10) Solvency;
 - (11) Proceeds of Advances not used to acquire margin stock (other than Advances to fund loans by the Borrower to the ESOP to finance the purchase of common stock of the Borrower); no violation of margin regulations.
- (1) Imation must maintain a ratio (the "Adjusted Interest Coverage Ratio") of (a) EBITDA minus capital expenditures to (b) Interest Expense (each to be defined) of not less than:

Calendar Year	Ratio
----- 1996	----- 1.50 to 1.00

FINANCIAL COVENANTS:

The Adjusted Interest Coverage Ratio will be determined for the first year after the Closing Date on the basis of the fiscal quarters that have ended since the Closing Date and, thereafter, on a rolling four-quarter basis.

- (2) Imation must maintain a ratio of Total Debt to Total Capitalization (each to be defined) of not more than 0.30 to 1.00.
- (3) Imation must maintain Consolidated Tangible Net Worth (to be defined) of at least:

Calendar Year -----	Amount -----
1996	\$825,000,000
1997	\$875,000,000
1998	\$925,000,000
1999	\$975,000,000
2000 and thereafter	\$1,125,000,000

AFFIRMATIVE COVENANTS:

Customary for facilities of this nature and others determined by Citibank to be appropriate, including, but not limited to the following affirmative covenants applicable to the Borrower and each subsidiary of the Borrower having at least 5% of the total revenues of the Borrower and its subsidiaries or at least 5% of the total assets of the Borrower and its subsidiaries (each, a "Material Subsidiary"):

- (1) Preservation of corporate existence;
- (2) Material compliance with laws (including ERISA and applicable environmental laws);
- (3) Payment of taxes;
- (4) Payment of material obligations;
- (5) Visitation rights;
- (6) Maintenance of books and records;
- (7) Maintenance of properties;
- (8) Maintenance of insurance;
- (9) Certain reporting requirements (including, without limitation, delivery of reports on Form 10-K and Form 10-Q and other SEC filings);
- (10) Transactions with Affiliates;
- (11) Protection and enforcement of material rights under Spin- Off Documents.

NEGATIVE COVENANTS:

Customary for facilities of this nature and others determined by Citibank to be appropriate for the transaction, including but not limited to the following negative covenants applicable to the Borrower and each Material Subsidiary:

- (1) Certain restrictions on liens (negative pledge), indebtedness (including certain contingent obligations), lease obligations;
- (2) Certain restrictions on change of business, consolidations, mergers, sale of assets (other than permitted sale-leasebacks), investments;

- (3) Limitations on restrictions binding upon Material Subsidiaries and all other subsidiaries of the Borrower that would prohibit or impose adverse conditions upon dividend payments to the Borrower, payments of principal or interest on advances made by the Borrower or any of its subsidiaries and investments in and other transfers of property to the Borrower;
- (4) Restriction on material amendments to the Borrower's charter documents or the Spin-Off Documents.

EVENTS OF DEFAULT:

Customary for facilities of this nature and others determined by Citibank to be appropriate for the transaction, including but not limited to the following:

- (1) Failure to pay principal when due and interest within three days when due;
- (2) Representations or warranties materially incorrect;
- (3) Failure to comply with covenants (with notice and cure periods as applicable);
- (4) Cross-default to payment defaults on principal of indebtedness of the Borrower and the Material Subsidiaries aggregating \$10,000,000, or to default or event if the effect is to accelerate or permit acceleration;
- (5) Unsatisfied judgment or order binding on the Borrower or any Material Subsidiary in excess of \$10,000,000 in the aggregate;
- (6) Bankruptcy/insolvency of the Borrower or any Material Subsidiary;
- (7) ERISA;
- (8) Change of control or ownership;
- (9) Material default by 3M or its affiliates under the Spin-Off Documents.

OTHER:

Loan documentation will include:

- (1) Indemnification of Agent and Lenders and their respective affiliates, officers, directors, employees, agents and advisors for any liabilities and expenses arising out of the Revolving Credit Facility or the use of proceeds.
- (2) Normal agency language.
- (3) Majority Lenders defined as those holding at least 51% of the Revolving Credit Facility.

ASSIGNMENTS AND PARTICIPATIONS:

Each Lender will have the right to assign to one or more Eligible Assignees all or a portion of its rights and obligations under the loan documents, with the consent, not to be unreasonably withheld, of the Agent and the Borrower. Minimum aggregate assignment level of \$10,000,000 and increments of \$1,000,000 in excess thereof. The parties to the assignment (other than the Borrower) shall pay to the Agent an administrative fee of \$3,000.

Each Lender will also have the right, without consent of the Borrower or the Agent, to assign (i) as security, all or part of its rights under the loan documents to any Federal Reserve Bank and

(ii) with notice to the Borrower and the Agent, all or part of its rights or obligations under the loan documents to any of its affiliates.

Each Lender will have the right to sell participations in its rights and obligations under the loan documents, subject to customary restrictions on the participants' voting rights.

YIELD PROTECTION,
TAXES, OTHER DEDUCTIONS:

- (1) The loan documents will contain yield protection provisions, customary for facilities of this nature, protecting the Lenders in the event of unavailability of funding, funding losses, reserve and capital adequacy requirements.
- (2) All payments to be free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than income taxes in the jurisdiction of the Lender's applicable lending office). The Lenders will use reasonable efforts to minimize to the extent possible any applicable taxes and the Borrower will indemnify the Lenders and the Agent for such taxes paid by the Lenders or the Agent.

GOVERNING LAW:

The State of New York.

SUBMISSION TO
JURISDICTION, ETC.:

The Borrower will submit to the non-exclusive jurisdiction of New York courts. All of the parties to the loan documentation will, to the fullest extent permitted by applicable law, waive any right to a trial by jury.

COUNSEL TO THE AGENT:

Milbank, Tweed, Hadley & McCloy.

EXPENSES:

The Borrower shall reimburse Citicorp Securities and Citibank for all out-of-pocket expenses (including reasonable fees and expenses of counsel to the Agent) incurred by them in the negotiation, syndication and execution of the Revolving Credit Facility. Such fees and expenses shall be reimbursed by the Borrower on the Closing Date and from time to time upon presentation of a statement of account, regardless of whether the transaction contemplated is actually completed or the loan documents are signed.

6/14/96

IMATION OUS SUBSIDIARIES

COUNTRY OF REGISTRATION	COMPANY NAME
Australia	Imation ANZ Pty Ltd
China	Imation (Shanghai) Co., Ltd. (to be formed)
Hong Kong	Imation Hong Kong Limited
Japan	Imation Corporation Japan.
Korea	Imation Korea Inc. (to be formed)
Singapore	Imation Asia Pacific Pte Ltd
Singapore	Imation Singapore Pte Ltd
Taiwan	Imation Taiwan (to be formed)
Austria	Imation Osterreich GmbH (to be formed)
Belgium	Imation Belgium N.V.
Czech Republic	Imation SPOL. s.r.o. (to be formed)
Denmark	Imation Denmark (to be formed)
Finland	Imation Finland Oy
France	Imation France
Germany	Imation Deutschland GmbH
Greece	Imation Greece S.A. (to be formed)
Hungary	Imation Hungary Ltd.
Italy	Imation Italy (to be formed)
Italy	Imation Spa (to be formed)
Italy	Imation Research (to be formed)
Italy	Imation Sulmona Spa
U.A.E.	Imation Middle-East FZE (to be formed)
Netherlands	Imation Europe B.V.
Netherlands	Imation International B.V.
Norway	Imation Norge A/S
Poland	Imation Poland Sp. zo.o. (to be formed)
South Africa	Imation South Africa (Proprietary) Limited
Spain	Imation Iberia, S.A.
Sweden	Imation Sweden AB (to be formed)
Switzerland	Imation AG (to be formed)
U.K.	Imation UK Limited
U.K. Harlow	Imation Research Ltd.

6/14/96

IMATION OUS SUBSIDIARIES CONT.

COUNTRY OF REGISTRATION	COMPANY NAME
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Argentina	Imation Argentina S.A. (to be formed)
Brazil	Imation Brasil (to be formed)
Chile	Imation Chile (to be formed)
Colombia	Imation Colombia S.A.
Costa Rica	Imation de Costa Rica
Ecuador	Imation Ecuador S.A.
El Salvador	Imation de El Salvador S.A. de C.V.
Guatemala	Imation de Guatemala S.A.
Mexico	Imation Mexico, S.A. de C.V.
Panama	Imation Panama, S.A.
Peru	Imation Peru S.A.
Puerto Rico	Imation Puerto Rico, Inc.
Venezuela	Imation Venezuela, S.A.
Canada	Imation Canada Inc.