

**IMATION CORP.
1 Imation Way
Oakdale, Minnesota 55128**

March 23, 2009

Dear Imation Corp. Shareholders:

You are cordially invited to attend the Imation Corp. 2009 Annual Meeting of Shareholders. We will hold the meeting on Wednesday, May 6, 2009, at 9:00 a.m., local time, at The Saint Paul Hotel, 350 Market St., St. Paul, MN 55102. The record date for the Annual Meeting is March 9, 2009. If you held our common stock as of the close of business on that date, you are entitled to vote at the Annual Meeting. During the meeting, we will discuss each item of business described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement. We will also present a current report on our business operations after the Annual Meeting and you will have an opportunity to ask questions.

We hope you will be able to attend the Annual Meeting. Whether or not you expect to attend, please vote your shares either by telephone, Internet or the mail so your shares will be represented at the Annual Meeting. Instructions on voting your shares are on the Notice of Internet Availability of Proxy Materials or proxy card you received for the Annual Meeting. If you received paper copies of our proxy materials, you can respond by completing, signing and dating your proxy card and returning it in the enclosed envelope so your shares will be represented at the Annual Meeting.

Sincerely,



Frank Russomanno
Vice Chairman and Chief Executive Officer

**IMATION CORP.
1 Imation Way
Oakdale, Minnesota 55128**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 6, 2009**

To the Shareholders of Imation Corp.:

The 2009 Annual Meeting of Shareholders of Imation Corp. will be held on Wednesday, May 6, 2009, at 9:00 a.m., local time, at The Saint Paul Hotel, 350 Market St., St. Paul, MN 55102. The purpose of the meeting is to:

1. Elect three directors named in the attached proxy statement;
2. Ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009; and
3. Transact such other business that may properly come before the meeting or any adjournment or adjournments thereof.

These items are more fully described in the Proxy Statement.

The record date for the meeting is March 9, 2009. If you held our common stock as of the close of business on that date, you are entitled to vote at the Annual Meeting.

By Order of the Board of Directors,



John L. Sullivan
*Senior Vice President, General Counsel and
Secretary*

Oakdale, Minnesota
March 23, 2009

IMPORTANT NOTICE

PLEASE VOTE BY TELEPHONE OR INTERNET, OR, IF YOU RECEIVED PAPER COPIES OF OUR PROXY MATERIALS, YOU CAN ALSO MARK, DATE, SIGN AND PROMPTLY MAIL THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE SO THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING. WHEN YOU SUBMIT YOUR VOTE, PLEASE ALSO INDICATE WHETHER YOU ARE PLANNING TO ATTEND THE MEETING.

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IMATION CORP.

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 6, 2009

INFORMATION CONCERNING SOLICITATION AND VOTING

Voting Procedures

We are providing this Proxy Statement in connection with the solicitation of proxies by the Board of Directors of Imation Corp. (“Imation,” “we,” “our” or “us”) for use at our Annual Meeting of Shareholders on May 6, 2009 and at all adjournments. The record date for the meeting is March 9, 2009. If you held our common stock as of the close of business on that date, you are entitled to vote at the Annual Meeting. As of March 9, 2009, there were approximately 37,739,826 shares of our common stock, \$.01 par value, outstanding. You have one vote for each share of common stock you hold, and there is no cumulative voting. The shares of common stock we hold in our treasury will not be voted and will not be counted at the Annual Meeting for purposes of determining a quorum and for purposes of calculating the vote.

We first made this Proxy Statement available to our shareholders on or about March 24, 2009.

Pursuant to rules recently adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, we have sent to most of our shareholders the Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access this Proxy Statement and our 2008 Annual Report on-line. Shareholders who have received the Notice will not be sent a printed copy of our proxy materials in the mail, unless they request to receive one.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 6, 2009: This Proxy Statement and our 2008 Annual Report are available at http://bnymellon.mobular.net/bnymellon/imn_beneficial.

To vote your shares, please follow the instructions on the Notice you received for our Annual Meeting of Shareholders. If you received paper copies of our proxy materials, we have enclosed a proxy card for you to use to vote your shares. **In order to register your vote, complete, date and sign the proxy card and return it in the enclosed envelope or vote your proxy by telephone or Internet in accordance with the voting instructions on the proxy card.**

You have three choices on each item to be voted upon at the Annual Meeting.

For the election of directors, you can:

- vote for all of the nominated directors as a group;
- withhold authority to vote for all nominated directors as a group; or
- vote for all nominated directors as a group except those you identify.

For the ratification of the appointment of the independent registered public accounting firm, you can:

- vote “FOR” ratification;
- vote “AGAINST” ratification; or
- “ABSTAIN” from voting on ratification.

If you do not specify on your proxy card (or when giving your proxy by telephone or the Internet) how you want to vote your shares, your shares will be voted FOR the election of all directors as nominated and FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009.

If you change your mind after you vote your shares, you can revoke your proxy at any time before it is actually voted at the Annual Meeting by:

- sending written notice of revocation to our Corporate Secretary;
- submitting a signed proxy with a later date;
- voting by telephone or the internet on a date after your prior telephone or internet vote; or
- attending the meeting and withdrawing your proxy.

You can also be represented by another person present at the meeting by executing a proxy designating that person to act on your behalf.

If you “abstain” on any matter (or “withhold authority” as to the election of any director), your shares will be considered present at the meeting for purposes of determining a quorum and for purposes of calculating the vote but will not be considered to have been voted on the matter. If you hold shares in “street name” and you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. In that case, your shares will be considered present at the meeting for purposes of determining a quorum, but will not be considered to be represented at the meeting for purposes of calculating the vote on that proposal.

If you would like to consent to receive our proxy materials and annual reports electronically in the future, please go to our website www.imation.com. Click on “Investor Relations,” then “Financial and Investor Information” and “Shareholder Services/Information.” In the Shareholder Services/Information section follow the instructions to submit your electronic consent.

Proxy Solicitation

We will pay the costs of preparing, printing and mailing the Notice of Annual Meeting of Shareholders, the Notice and this Proxy Statement, including the reimbursement to banks, brokers and other custodians, nominees and fiduciaries for their costs in sending the proxy materials to the beneficial owners. In addition to the use of the mail, proxies may be solicited personally or by telephone by our regular employees without additional compensation.

Security Ownership of Certain Beneficial Owners

The table below shows the number of shares of our outstanding common stock as of February 17, 2009, held by each person that we know owns beneficially (as defined by the Securities and Exchange Commission for proxy statement purposes) more than 5% of any class of our voting stock:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
TDK Corporation c/o 1-13-1, Nihonbashi, Chuo-Ku Tokyo 103-8272, Japan	7,740,764 ⁽¹⁾	20.52%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94163	3,111,184 ⁽²⁾	8.25%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	2,919,013 ⁽³⁾	7.74%
Barclays Global Investors, NA 400 Howard Street San Francisco, CA 94105	2,133,338 ⁽⁴⁾	5.65%

(1) A Schedule 13D/A was filed with the Securities and Exchange Commission on December 6, 2007 by TDK Corporation (“TDK”), TDK Electronics Corporation (“TEC”), TDK U.S.A. Corporation (“TUC”), TDK Europe S.A. (“TES”), TDK Hong Kong Co. Ltd. (“THK”), TDK Recording Media Europe S.A. (“TRE”) and TDK Singapore (PTE) Ltd. (“TSP”) reporting beneficial ownership of 7,740,764 shares of our common stock. TDK reported that it had sole voting and dispositive powers with respect to 4,962,390 shares and shared voting and dispositive powers with respect to 2,778,374 shares. TEC reported that it had sole voting and dispositive powers with respect to 0 shares and shared voting and dispositive powers with respect to 660,946 shares. TUC reported that it had sole voting and dispositive powers with respect to 0 shares and shared voting and dispositive powers with respect to 660,946 shares. TES reported that it had sole voting and dispositive powers with respect to 0 shares and shared voting and dispositive powers with respect to 1,805,809 shares. THK reported that it had sole voting and dispositive powers with respect to 0 shares and shared voting and dispositive powers with respect to 63,757 shares. TRE reported that it had sole voting and dispositive powers with respect to 0 shares and shared voting and dispositive powers with respect to 135,358 shares. TSP reported that it had sole voting and dispositive powers with respect to 0 shares and shared voting and dispositive powers with respect to 112,504 shares. TUC, TEC, TES, TRE, THK and TSP are all wholly owned subsidiaries of TDK. TDK became our largest shareholder in connection with our acquisition of substantially all of the assets relating to the marketing, distribution, sales, customer service and support of removable recording media products, accessory products and ancillary products under the TDK brand name from TDK. See “Related Person Transactions.”

(2) A Schedule 13G was filed with the Securities and Exchange Commission on February 2, 2009 by Wells Fargo and Company (“Wells Fargo”), reporting consolidated beneficial ownership on behalf of itself and certain subsidiaries of 3,111,184 shares of our common stock. Of such shares, Wells Fargo reported that it had sole voting power with respect to 3,106,323 shares, sole dispositive power with respect to 3,018,469 shares, shared voting power with respect to 2,918 shares and shared dispositive power with respect to 2,874 shares. Evergreen Investment Management Company, LLC, a wholly owned subsidiary, is an investment advisor that beneficially owns 2,953,457 shares of common stock, over which it has sole voting and dispositive power. Wells Fargo filed the report as a parent holding company for Wells Capital Management Incorporated, (Investment Advisor), Wells Fargo Funds Management, LLC (Investment Advisor), Lowry Hill Investment Advisors, Inc. (Investment Advisor), Wells Fargo Bank, National Association (Bank),

Wells Fargo Investments, LLC (Broker-Dealer), Evergreen Investment Management Company (Investment Advisor), Wachovia Securities, LLC (Investment Advisor), Wachovia Bank, National Association. (Bank), Delaware Trust Company, National Association (Bank), and Wachovia Securities Financial Network, LLC (Broker-Dealer), each of which is a subsidiary of Wells Fargo.

- (3) A Schedule 13G/A was filed with the Securities and Exchange Commission on February 9, 2009 by Dimensional Fund Advisors LP (“Dimensional”) reporting beneficial ownership of an aggregate of 2,919,013 shares of our common stock. Of such shares, Dimensional reported that it had sole voting power with respect to 2,897,413 shares and sole dispositive power with respect to 2,919,013 shares. Dimensional is an investment advisor/manager to certain funds and as investment advisor/manager, Dimensional possesses investment and/or voting power of the securities of the funds and may be deemed to be the beneficial owner of the shares held by the funds. Dimensional disclaims beneficial ownership of the shares held by the funds.
- (4) A Schedule 13G was filed with the Securities and Exchange Commission on February 5, 2009 by Barclays Global Investors, NA (“Barclays”), reporting beneficial ownership and sole dispositive power of 1,010,450 shares of our common stock and sole voting power of 918,997 shares. Barclays Global Fund Advisors reported beneficial ownership and sole dispositive power of 1,102,258 shares and sole voting power of 932,026 shares. Barclays Global Investors, Ltd. reported sole dispositive power of 20,630 shares. Barclays filed the report for Barclays Global Fund Advisors (Investment Advisor), Barclays Global Investors, Ltd. (Non-US institution), Barclays Global Investors Japan Limited (Non-US institution), Barclays Global Investors Canada Limited (Non-US institution), Barclays Global Investors Australia Limited (Non-US institution), Barclays Global Investors (Deutschland) AG (Non-US institution). Barclays reported that the shares are held in trust accounts for the economic benefit of the beneficiaries of those accounts.

Security Ownership of Management

The table below shows the number of shares of our common stock beneficially owned as of February 17, 2009 by each director, each nominated director, each officer named in the Summary Compensation Table in this Proxy Statement and all directors and executive officers as a group. Except as otherwise indicated, the named person has sole voting and investment powers with respect to the shares held by that person, and the shares are not subject to any pledge.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership⁽¹⁾</u>	<u>Percentage of Class</u>
Linda W. Hart	135,384 ⁽²⁾	*
Michael S. Fields	34,067	*
Charles A. Haggerty	50,308 ⁽³⁾	*
Ronald T. LeMay	113,353	*
Raymond Leung	0	*
L. White Matthews, III	55,997	*
Charles Reich	41,371	*
Glen A. Taylor	78,817	*
Daryl J. White	96,405	*
Frank P. Russomanno	247,497 ⁽⁴⁾	*
Paul R. Zeller	133,760	*
Jacqueline A. Chase	42,662	*
Subodh K. Kulkarni	60,040	*
John L. Sullivan	99,279	*
All Directors and Executive Officers as a Group (17 persons).	1,276,374	3.31%

* Indicates ownership of less than 1%.

- (1) In addition to the unrestricted shares held by the named individuals, the shares shown include (i) the following shares issuable upon exercise of stock options that are currently exercisable or will become exercisable within 60 days of February 6, 2009: Ms. Hart, 95,095 shares; Mr. Fields, 24,451 shares; Mr. Haggerty, 30,150 shares; Mr. LeMay, 84,451 shares; Mr. Matthews, 46,999 shares; Dr. Reich, 32,797 shares; Mr. Taylor, 54,451 shares; Mr. White, 84,451 shares; Mr. Russomanno, 145,383 shares; Mr. Zeller, 85,961 shares; Ms. Chase, 20,483 shares; Dr. Kulkarni, 42,875 shares; Mr. Sullivan, 64,060 shares; and all directors and executive officers as a group, 863,513 shares; (ii) the following shares of restricted stock held as of February 6, 2009: Ms. Hart, 8,340 shares; Mr. Fields, 3,981 shares; Mr. Haggerty, 3,981 shares; Mr. LeMay, 3,981 shares; Mr. Matthews, 3,981 shares; Dr. Reich, 3,981 shares; Mr. Taylor, 3,981 shares; Mr. White, 3,981 shares; Mr. Russomanno, 58,849 shares; Mr. Zeller, 26,642 shares; Ms. Chase, 16,007 shares; Dr. Kulkarni, 14,512 shares; Mr. Sullivan, 17,788 shares; and all directors and executive officers as a group, 196,493 shares and (iii) the following shares allocated as of February 17, 2009 to the accounts of participants under the Imation Retirement Investment Plan: Mr. Russomanno, 3,637 shares; Mr. Zeller, 7,310 shares; Ms. Chase, 3,181 shares; Dr. Kulkarni, 719 shares; Mr. Sullivan, 2,575 shares; and all executive officers as a group, 21,592 shares. The holders of restricted stock have voting power but no investment power with respect to those shares. The participants in the Imation Retirement Investment Plan have shared voting and investment power with respect to such shares.
- (2) Includes 4,452 restricted stock units which will be converted to common stock when Ms. Hart separates from service with Imation. See "Compensation of Directors-Director Compensation for Fiscal Year 2008."
- (3) Includes 13,500 shares held in a revocable trust.
- (4) Includes 2,300 shares in a trust owned by Mr. Russomanno's spouse.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. We are required to identify any of those individuals who did not file such reports on a timely basis. We believe that during 2008 all of our directors and executive officers complied with their Section 16(a) filing requirements.

Related Person Transactions and Related Person Transaction Policy

Agreements with TDK

On July 31, 2007, we completed the acquisition of substantially all of the assets relating to the marketing, distribution, sales, customer service and support of removable recording media products, accessory products and ancillary products under the TDK Life on Record brand name (TDK Recording Media), from TDK Corporation, a Japanese corporation (TDK) pursuant to an acquisition agreement dated April 19, 2007, between Imation and TDK (the TDK Acquisition Agreement). The purchase price for the TDK Recording Media operations was approximately \$260 million in a combination of cash and stock.

We issued to TDK approximately 6.8 million shares of our common stock, representing 16.6% of our shares outstanding after issuance of the shares to TDK. The shares were valued at \$31.75 based on average market value of our shares for the two day period prior to the date for which the shares to be exchanged was determined. We paid \$29.5 million in cash to TDK. The purchase price also included approximately \$8.2 million for customary closing costs, accounting and advisory fees and a payment of \$3.9 million made to a third party to acquire their minority interest in a TDK international subsidiary.

We may pay additional cash consideration of up to \$70 million to TDK, contingent upon future financial performance of the acquired business.

The TDK Acquisition Agreement provided for a future purchase price adjustment related to the target working capital amount at the date of acquisition. If the closing date working capital amount was more than or less than the target working capital amount, the parties would be required to increase or decrease the purchase price for the difference between the actual and target working capital amounts as defined in the TDK Acquisition Agreement. During the first quarter of 2008, we reached an agreement with TDK on the closing date working capital amount resulting in a required additional payment to TDK of \$6.5 million, which was paid during the second quarter of 2008. Further, the TDK Acquisition Agreement assumed that no cash or debt would be transferred to or assumed by Imation in the transaction. TDK operating subsidiaries purchased in the transaction had cash balances at the time of the acquisition, and as such, we acquired cash in the transaction. Consequently, we repaid cash of approximately \$25 million to TDK in November 2007.

As a result of the transaction, TDK became our largest shareholder and has the right to nominate a representative to serve on our Board of Directors. Raymond Leung, TDK's nominee, was elected to serve as a Class III member of the Board of Directors on November 7, 2007 and was reelected by shareholders on May 7, 2008. Pursuant to an Investor Rights Agreement, dated July 31, 2007, TDK's ownership stake will be permitted to increase up to 21% of our common stock on a fully diluted basis through open market purchases. TDK received certain preemptive rights and registration rights, and TDK agreed to a standstill on further acquisitions of our common stock above the 21% threshold (except as a result of stock repurchases initiated by Imation, in which event TDK's ownership will not be permitted to exceed 22% of the then outstanding shares). TDK also agreed to a voting agreement with respect to certain matters presented to our shareholders and a three-year lock-up on sales of the shares acquired in the transaction.

We entered into two long-term Trademark License Agreements with TDK, dated July 31, 2007, with respect to the TDK Life on Record brand, which will continue unless terminated by TDK no earlier than 2032 (2017 in the case of headphones, speakers or wholly new products) or earlier in the event of a material breach of the Trademark License Agreement, specific change of control events or default by Imation. One of the agreements licenses the trademark to Imation for the U.S. territory, while the other licenses the trademark to an Imation affiliate outside the United States. The trademark licenses provide us exclusive use of the TDK Life on Record trademark and logo for marketing and sales of current and successor magnetic tape, optical media and flash memory products, certain accessories, headphones and speakers, and certain future removable recording media products. We anticipate that TDK will continue its research and development and manufacturing operations for recording media products including audio, video and data storage tape, and Blu-Ray optical discs, which TDK will supply us, as described below, as well as its other Original Equipment Manufacturer (OEM) customers. No additional consideration was paid or is payable to TDK under the Trademark License Agreements outside of the consideration paid by Imation for the acquisition.

We also entered into a Supply Agreement with TDK, dated July 31, 2007, for Imation to purchase its requirements of removable recording media products and accessory products for resale under the TDK Life on Record brand name to the extent TDK can supply such products on competitive terms, and TDK agreed not to sell any such products to third parties for resale under the TDK Life on Record brand name during the term of the Trademark License Agreements. The Supply Agreement will continue for the greater of five years or for so long as TDK manufactures any of the products. We also purchase the following items from TDK on a non-exclusive basis for our Imation branded and Memorex branded products outside of the Supply Agreement: LTO and DDS/DAT tapes and Blu-Ray recordable media. For 2008, purchases from TDK for inventory items under the Supply Agreement and the other items described above were approximately \$80 million.

In addition, we entered into a Transition Services Agreement with TDK with respect to TDK's provision to us of certain services such as IT support, sales and marketing support and invoicing services as

we integrated the TDK recording media business. For 2008, payments made under the Transition Services Agreement were approximately \$10 million.

Copies of the Investor Rights Agreement, Trademark License Agreements and Supply Agreement are filed as exhibits to our Current Report on Form 8-K filed August 3, 2007. The descriptions of the Investor Rights Agreement, Trademark License Agreements and Supply Agreement are qualified in their entirety by reference to the full text of those agreements.

Employment Offer Letter with Mr. Lucas

On February 16, 2009, Mark E. Lucas was appointed by the Board of Directors to serve as our President and Chief Operating Officer, effective March 17, 2009. Mr. Lucas had been a director of Imation since April 2007. Mr. Lucas resigned from the Board of Directors effective February 16, 2009 in connection with his appointment as our President and Chief Operating Officer. Under the terms of Mr. Lucas's employment, as set forth in an employment offer letter from Imation (the "Employment Offer Letter"), Mr. Lucas will be entitled to:

- base salary in the amount of \$625,000;
- participate on a pro-rated basis in our 2009 Annual Bonus Program whereby Mr. Lucas is eligible to receive, based on our achievement of certain performance objectives, a target annual bonus equal to 80% of his base salary up to a maximum bonus payout of 120% of his base salary;
- stock options valued at \$900,000 which have a ten-year term and will vest ratably over a four-year period;
- shares of restricted stock valued at \$900,000 which will vest ratably over a four-year period;
- participate in our medical, dental, pension and 401(k) plans;
- our standard relocation package;
- benefits available to other executive officers: reimbursement of up to \$2,500 in tax preparation expenses; reimbursement for costs associated with a comprehensive annual medical exam; and the payment of premiums on an executive life insurance policy; and
- 25 days of paid time off each calendar year (pro-rated for 2009).

The Employment Offer Letter also provides that Imation and Mr. Lucas will enter into our standard form of severance agreement for executive officers and our standard form of employee agreement. The description above is qualified in its entirety by reference to the full text of the Employment Offer Letter, a copy of which is attached as Exhibit 10.1 to our Current Report on Form 8-K filed February 17, 2009 and is incorporated herein by reference.

Following the 2008 Annual Meeting of Stockholders held on May 7, 2008, Mr. Lucas was granted options to purchase 11,574 shares of our common stock (the "Options") and 3,632 shares of restricted stock (the "Restricted Stock") as part of the compensation paid to our non-employee directors. The Options and Restricted Stock vest in full on the anniversary of their grant date. On February 16, 2009, the Compensation Committee determined to immediately accelerate the vesting of the Options and Restricted Stock in connection with Mr. Lucas's resignation from the Board of Directors.

Related Person Transaction Policy

On February 6, 2007, the Audit and Finance Committee of the Board of Directors adopted a written policy regarding transactions with related persons. In accordance with the policy, the Audit and Finance Committee is responsible for the review and approval of all transactions with related persons that are required to be disclosed under the rules of the Securities and Exchange Commission. Under the policy, a "related person" includes any of our directors or executive officers, certain of our

shareholders and any of their respective immediate family members. The policy applies to transactions in which Imation is a participant, the amount involved exceeds \$120,000 and a related person has a direct or indirect material interest. A related person's material interest in a transaction is to be determined based on the significance of the information to investors in light of all the circumstances. Under the policy, management is responsible for disclosing to the Audit and Finance Committee all material information related to any covered transaction. The Audit and Finance Committee may use any process and review any information that it determines is reasonable under the circumstances in order to determine whether the covered transaction is fair and reasonable and on terms no less favorable to Imation than could be obtained in a comparable arms-length transaction with an unrelated third party.

Due to the size of the transaction with TDK, approval of the acquisition of the TDK recording media business (and the related TDK Acquisition Agreement, Trademark License Agreements, Supply Agreement and Transition Services Agreement) was made by the entire Board of Directors. The Audit and Finance Committee ratified the continuing purchase of the other items purchased from TDK described above. In addition, due to the nature of the transaction with Mr. Lucas, the approval of Mr. Lucas's appointment and related employment terms was made by the entire Board of Directors, without Mr. Lucas present.

BOARD OF DIRECTORS

Corporate Governance

Corporate Governance Guidelines

Our Board of Directors is committed to sound and effective corporate governance practices. Our Board of Directors has adopted Corporate Governance Guidelines (“Guidelines”) which describe the Board’s governance principles and procedures. The Guidelines, which comply with the criteria established under the New York Stock Exchange listing standards, cover director qualifications and retirement policy, director responsibilities, Board committees, director access to officers and employees, director compensation, director orientation and continuing education, Chief Executive Officer evaluation and management succession, and the annual performance evaluation of the Board. The Guidelines are available on our website. The Internet address for our website is www.imation.com and the Guidelines can be found on our “Corporate Governance” page, which can be accessed from the “Investor Relations” page, which can be accessed from the main web page. Copies of the Guidelines are also available in print to any shareholder who requests them by writing to: Imation Corp., Investor Relations, 1 Imation Way, Oakdale, MN 55128.

Code of Ethics

We have had a Business Conduct Policy in place since our inception that applies to all employees and our Board of Directors. The Business Conduct Policy is available on our website. The Internet address for our website is www.imation.com. The Business Conduct Policy may be found on our “Corporate Governance” page, which can be accessed from the “Investor Relations” page, which can be accessed from the main web page. Copies of the Business Conduct Policy are also available in print to any shareholder who requests them by writing to: Imation Corp., Investor Relations, 1 Imation Way, Oakdale, MN 55128.

Annual Meeting Attendance Policy

Directors are expected to attend our Annual Meeting of Shareholders. We use our best efforts to schedule our Annual Meeting of Shareholders on the same day as a Board meeting in order to facilitate attendance by our Board members at our Annual Meeting. All of our directors attended our 2008 Annual Meeting of Shareholders.

Communications with the Board

Our Board of Directors has a process in place for interested parties to communicate directly with our directors. If any interested party wants to make concerns known to our Board of Directors, non-management directors or Non-Executive Chairman, communication can be sent to directors@imation.com or Imation Corp., P.O. Box 64898, St. Paul, MN 55164-0698, Attn: Board of Directors. Communications sent to directors@imation.com or the mailing address will be sent to the chair of our Audit and Finance Committee who will then circulate the communications to the Board members as appropriate.

Director Independence and Determination of Audit Committee Financial Expert

Our Board of Directors reviewed the independence of our directors in January 2009. During this review, our Board reviewed:

- whether there were any transactions or relationships between each director or any member of his or her immediate family and us and our subsidiaries and affiliates; and
- whether there were any relationships between the directors and senior management and between directors and our independent registered public accounting firm.

The Board made this review to determine whether any of the above relationships or transactions, if existing, were inconsistent with a determination that the director is independent. Other than Frank P. Russomanno, our Vice Chairman and Chief Executive Officer, and Raymond Leung, the TDK director nominee, none of the directors had any relationship with us other than as shareholder and director. Therefore, the Board affirmatively determined that all of the directors, other than Frank P. Russomanno and Raymond Leung, are independent as defined under the New York Stock Exchange listing standards.

In January 2009, the Board also reviewed whether the Audit and Finance Committee had an audit committee financial expert as defined in the Securities and Exchange Commission rules. The Board reviewed the skills and experience required under the rules and determined that Messrs. Haggerty, Matthews and White are audit committee financial experts as defined under those rules.

Non-Executive Chairman

The Board believes it is appropriate to separate the office of Chairman of the Board from the office of the Chief Executive Officer and has appointed a Non-Executive Chairman who is not part of the management of our Company. The Board will review periodically whether to retain the Non-Executive Chairman position and, as long as the position is retained, will review, at least once per year, who the Non-Executive Chairman will be. As long as there is a Non-Executive Chairman of the Board, the Board will not designate a lead director. The Non-Executive Chairman is responsible for coordinating activities of, and communication with, the Board, including leading the meetings of the Board of Directors and the executive sessions of the non-management directors; facilitating communications between the directors and management; establishing the agenda for Board meetings; working with the Chief Executive Officer and the Board on defining a process for developing corporate strategy and providing oversight and guidance in its development; and for other matters as determined by the Board from time to time. The Board designated Linda W. Hart as the Non-Executive Chairman in April 2007 and re-appointed her to the position in February 2008 for a term ending at the 2009 Annual Meeting of Shareholders.

Meetings of the Board and Board Committees

Meetings of the Board

During 2008, the Board of Directors held a total of nine meetings, and the various committees of the Board met a total of twenty-one times. Each director attended 75% or more of the total meetings of the Board of Directors and the Board committees on which the director served. The non-management directors of the Board met at scheduled executive sessions at each Board meeting. The Non-Executive Chairman, currently Linda W. Hart, presided at these sessions.

Committees of the Board

The standing committees of the Board of Directors are the Audit and Finance Committee, Compensation Committee and Nominating and Governance Committee. Each of the Board committees has adopted a written charter which describes the functions and responsibilities of the committee. The charters for our Audit and Finance Committee, Compensation Committee and Nominating and Governance Committee are available on our web site. The Internet address for our website is www.imation.com. The charters are on our "Corporate Governance" page, which can be accessed from the "Investor Relations" page, which can be accessed from the main web page. Copies of the committee charters are also available in print to any shareholder who requests them by writing to: Imation Corp., Investor Relations, 1 Imation Way, Oakdale, MN 55128.

Audit and Finance Committee

Members: Six non-employee directors:

Messrs. Matthews (Chair), Haggerty, LeMay, Lucas (through February 16, 2009), Dr. Reich

and Mr. White. All of the members of the Audit and Finance Committee are independent directors as defined under the New York Stock Exchange listing standards and the rules of the Securities and Exchange Commission.

Number of meetings in 2008: Twelve

Functions:

- Reviews our consolidated financial statements, including accounting and auditing principles and practices
- Has the authority to appoint or replace our independent registered public accounting firm and approve the scope of its audit services
- Reviews and approves non-audit services performed by our independent registered public accounting firm
- Reviews our compliance procedures and scope of internal controls
- Reports to the Board of Directors on the adequacy of financial statement disclosures and adherence to accounting principles
- Reviews financial policies which may impact our financial statements
- Oversees our internal audit function with the Director of Internal Audit reporting directly to the Audit and Finance Committee
- Monitors compliance with financing agreements
- Monitors the functions of our Pension and Retirement Committee
- Reviews and approves any related person transactions

Under our Guidelines, no director may serve on a total of more than three public company audit committees. All of our directors are in compliance with that provision of our Guidelines.

Compensation Committee

Members: Five non-employee directors:

Mr. White (Chair), Mr. Fields, Ms. Hart, Mr. Lucas (through February 16, 2009) and Mr. Taylor. All of the members of the Compensation Committee are independent directors as defined under the New York Stock Exchange listing standards.

Number of meetings in 2008: Five

Functions:

- Reviews and approves compensation and benefits programs for our executive officers other than the Chief Executive Officer
- Reviews and recommends Chief Executive Officer compensation to the independent directors
- Reviews executive stock ownership guidelines and progress in meeting the guidelines
- Oversees implementation of certain stock and benefit plans

Nominating and Governance Committee

Members: Six non-employee directors:

Mr. LeMay (Chair), Mr. Fields, Ms. Hart, Mr. Matthews, Dr. Reich and Mr. Taylor. All of the members of the Nominating and Governance Committee are independent directors as defined under the New York Stock Exchange listing standards.

Number of meetings in 2008: Four

Functions:

- Advises and makes recommendations to the Board on all matters concerning directors (such as independence evaluations, committee assignments, director compensation and director stock ownership guidelines) and corporate governance matters
- Advises and makes recommendations to the Board on the selection of candidates as nominees for election as directors
- Reports to the Board on succession planning, including succession in the event of retirement of the Chief Executive Officer

Director Nominations

The Nominating and Governance Committee will consider qualified candidates for Board membership submitted by shareholders. A candidate for election to the Board needs the ability to apply good business judgment and must be in a position to properly exercise his or her duties of loyalty and care in his or her representation of the interests of shareholders. Candidates should also exhibit proven leadership capabilities, high integrity and experience with a high level of responsibilities within their chosen fields, and have the ability to quickly grasp complex principles of business, finance and international transactions and those regarding our industry. In general, candidates will be preferred who hold an established executive level position and have extensive experience in business, finance, law, education, research or government. The Nominating and Governance Committee will consider these criteria for nominees identified by the Nominating and Governance Committee, by shareholders or through some other source. The Nominating and Governance Committee also uses an external search firm to assist it in locating candidates that meet the criteria for qualified candidates. When current Board members are considered for nomination for re-election, the Nominating and Governance Committee will also take into consideration their prior Board contributions, performance and meeting attendance records.

Shareholders who want to submit a qualified candidate for Board membership can do so by sending the following information to the Nominating and Governance Committee (through our Corporate Secretary at 1 Imation Way, Oakdale, MN 55128):

- name of the candidate and a brief biographical sketch and resume;
- contact information for the candidate and a document evidencing the candidate's willingness to serve as a director if elected; and
- a signed statement as to the submitting shareholder's current status as a shareholder and the number of shares currently held.

The Nominating and Governance Committee will conduct a process of making a preliminary assessment of each proposed nominee based upon the resume and biographical information, an indication of the individual's willingness to serve and other relevant information. This information will be evaluated against the criteria set forth above and our specific needs at that time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet our needs may be subject to a background investigation and may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the Nominating and Governance Committee will determine which nominee(s) to recommend to the Board to submit for election at the next annual meeting. The Nominating and Governance Committee will use the same process for evaluating all nominees, regardless of the original source of the nomination. Any nominations for director to be made at an annual meeting of shareholders must be made in accordance with the requirements described in the section entitled "Shareholder Proposals for 2010 Annual Meeting."

Compensation of Directors

Non-employee directors, with the exception of the TDK nominated director, receive the following compensation for service on our Board:

- *Annual Retainer:* \$50,000
- *Chairman Fee:*
 - \$5,000 per year for serving as chair of the Nominating and Governance Committee
 - \$7,500 per year for serving as chair of the Compensation Committee
 - \$10,000 per year for serving as chair of the Audit and Finance Committee
- *Non-Executive Chairman Fee:* 1.2 times the Annual Retainer (in addition to the Annual Retainer received by all Directors), currently \$60,000
- *Meeting Attendance:*
 - Board meetings: \$1,500 per meeting for attendance in person and \$1,000 per meeting for attendance via telephone or video conference
 - Committee meetings: \$1,000 per meeting, other than in-person Audit and Finance Committee meetings for which \$1,500 is paid
- *Interview of Board Candidates:* \$1,500 per interview
- *Equity Grants:* Directors receive an initial equity grant of restricted stock and options to purchase common stock on the date a person becomes a director and an additional annual equity grant of restricted stock and options to purchase common stock on the date of the annual meeting of shareholders each year. The annual equity grant is a dollar value of \$175,000 in stock options and restricted stock, with 50% of the value granted as stock options and 50% of the value granted as restricted stock, valued under the Black-Scholes model. The Non-Executive Chairman of the Board receives an additional equity grant of 1.2 times the Director grant, currently \$210,000, using the same division between stock options and restricted stock and the same valuation model. The restricted stock and stock options vest in one year, but may accelerate under certain circumstances such as death, disability, retirement and change of control of Imation, as defined under the 2005 Director Program, as amended. The initial equity grant for a director or Non-Executive Chairman who is first elected at a time other than the annual meeting of shareholders is prorated based on the number of options and shares of restricted stock granted to directors or the Non-Executive Chairman at the time of the preceding annual meeting of shareholders.
- *Matching Gift:* We match gifts made by each director to qualified charitable institutions in an amount up to \$15,000 per year.
- *Training Program Reimbursement:* We encourage our directors to attend training programs and reimburse any director who chooses to attend a training program for directors for the cost of attending the program, including travel and lodging, at the maximum rate of one program per year.
- *Travel Reimbursement:* We reimburse directors for travel costs of attending Board meetings and interviews of Board candidates.

In lieu of cash, non-employee directors may elect to receive all or part of their Annual Retainer, Non-Executive Chairman fee, Committee Chairman fee and meeting fees in shares of common stock or in restricted stock units equivalent to shares of common stock.

The following table shows the compensation for the last fiscal year for our non-employee directors.

Name	Director Compensation for Fiscal Year 2008				
	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾⁽²⁾	Options Awards (\$) ⁽¹⁾⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Michael S. Fields	69,000 ⁽⁵⁾	100,294	106,910	4,255	280,459
Charles A. Haggerty	84,500 ⁽⁶⁾	100,294	106,910	19,255	310,959
Linda W. Hart	130,000 ⁽⁷⁾	243,427 ⁽⁸⁾	200,816 ⁽⁹⁾	25,300	599,543
Ronald T. LeMay	83,000 ⁽¹⁰⁾	100,294	106,910	16,005	306,209
Raymond Leung ⁽¹¹⁾	0	0	0	0	0
Mark Lucas ⁽¹²⁾	78,000	88,757	77,305	2,596	246,658
L. White Matthews, III	88,000 ⁽¹³⁾	100,294	106,910	19,230	314,434
Charles Reich	74,500	100,294	106,910	4,255	285,959
Glen A. Taylor	73,498 ⁽¹⁴⁾	100,294	106,910	19,255	299,957
Daryl J. White	85,625 ⁽¹⁵⁾	100,294	106,910	4,255	297,084

(1) Stock and option awards are calculated in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS 123R") on the same basis as used for financial reporting purposes for the fiscal year. Refer to footnote 12 of Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for our policy and assumptions made in the valuation of share based payments.

(2) On May 7, 2008 each director was awarded 3,632 shares of restricted stock. The grant date fair value of that restricted stock award is \$87,495. In accordance with SFAS 123R, we chose the grant date fair value of the restricted stock as equivalent to the closing stock price on the date of grant: \$24.09. The number of shares of restricted stock that are outstanding for each director at fiscal year end is 3,981, other than Mr. Leung for whom the number of shares of restricted stock outstanding is 0, Mr. Lucas for whom the number of shares of restricted stock outstanding is 3,632, and Ms. Hart for whom the number of shares of restricted stock outstanding is 8,340. See Footnote 8.

(3) On May 7, 2008 each director was awarded options to purchase 11,574 shares of common stock. The grant date fair value of that option award is \$68,287. In accordance with SFAS 123R, we chose the Black-Scholes option pricing model to estimate the grant date fair value of the option. Our use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require a prediction about the future movement of the stock price. The following assumptions were made for purposes of calculating the grant date present value for the option: risk free rate: 3.061%; expected life: 5.10 years; volatility: 30.87%; and dividend yield: 2.657%; resulting in a grant date fair value of \$5.90 per share. The number of shares underlying stock options that are outstanding for each director at fiscal year end are as follows: Mr. Fields: 38,375; Mr. Haggerty: 44,074; Ms. Hart: 122,908; Mr. LeMay: 98,375; Mr. Leung: 0; Mr. Lucas: 20,048; Mr. Matthews: 60,923; Dr. Reich: 46,721; Mr. Taylor: 68,375; and Mr. White: 98,375.

(4) These amounts represent (i) matching gifts by Imation to qualified charitable institutions of \$15,000 for Ms. Hart and Mr. Haggerty, \$11,750 for Mr. LeMay, \$14,975 for Mr. Matthews, and \$15,000 for Mr. Taylor; (ii) dividends paid in May 2008 on the vesting of 349 shares of restricted stock issued in May 2005 and 2,328 shares of restricted stock issued in May 2007 in the aggregate amount of \$2,076 for each director except for (a) Ms. Hart who had additional dividends paid in April 2008 on the vesting of 103 shares of restricted stock issued in April 2007, and dividends paid in May 2008 on the vesting of 2,793 shares of restricted stock issued in May 2007 for a total of \$3,930, (b) Mr. Leung, who had no dividends, and (c) Mr. Lucas who had dividends paid in April 2008 on the vesting of 53 shares of restricted stock issued in April 2007 and dividends paid in May 2008 on the vesting of 2,328 shares of restricted stock issued in May 2007 in the

aggregate amount of \$1,143; (iii) dividends accrued in 2008 for restricted stock in the amount of \$2,179 for each director except for Mr. Leung, who had no dividends accrued, and for Mr. Lucas for whom \$1,453 was accrued, and for Ms. Hart, for whom \$3,922 was accrued; and (iv) dividend equivalents paid on Ms. Hart's previously issued restricted stock units in the amount of \$2,448. See also Footnote 7. The maximum matching gift to qualified charitable institutions is \$15,000 per year. The accrued dividends are not paid unless and until the restricted stock vests.

- (5) Mr. Fields elected to receive 25% of his annual retainer in shares of common stock in lieu of cash. That election resulted in the conversion of \$12,500 into 513 shares of common stock.
- (6) Mr. Haggerty was elected Chairman of our Compensation Committee in May 2008 and this amount includes the Committee Chairman fee.
- (7) Ms. Hart is Non-Executive Chairman of the Board and this amount includes that fee. Ms. Hart elected to receive her annual retainer in shares of common stock in lieu of cash. That election resulted in the conversion of \$50,000 into 2,055 shares of common stock. Ms. Hart also receives dividend equivalents on previously issued restricted stock units, in the same manner as paid to all other shareholders, which are converted to restricted stock units.
- (8) Ms. Hart, as Non-Executive Chairman of the Board, received an additional restricted stock award of 4,359 shares. The grant date fair value of the restricted stock award is \$105,008. In accordance with SFAS 123R, we chose the grant date fair value of the restricted stock as equivalent to the closing stock price on the date of grant: \$24.09.
- (9) Ms. Hart, as Non-Executive Chairman of the Board, received an additional option grant of 13,889 shares. The grant date fair value of the option award is \$81,945. In accordance with SFAS 123R, we chose the Black-Scholes option pricing model to estimate the grant date fair value of the option. Our use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require a prediction about the future movement of the stock price. The following assumptions were made for purposes of calculating the grant date present value for the options: risk free rate: 3.061%; expected life: 5.10 years; volatility: 30.87%; and dividend yield: 2.657%; resulting in a grant date fair value of \$5.90 per share.
- (10) Mr. LeMay was elected as Chairman of our Nominating and Governance Committee in May 2008 and this amount includes the Committee Chairman fee.
- (11) Mr. Leung is TDK's nominee to serve on our Board of Directors pursuant to the Investor Rights Agreement dated July 31, 2007 that we entered into with TDK, in conjunction with our acquisition of the TDK recording media business. See "Related Person Transactions." Pursuant to the Investor Rights Agreement, Mr. Leung will not be compensated for his service on the Board of Directors.
- (12) Mr. Lucas resigned as a member of our Board of Directors on February 16, 2009 in connection with his appointment as President and Chief Operating Officer of Imation, effective March 17, 2009. See "Related Person Transactions."
- (13) Mr. Matthews is Chairman of our Audit and Finance Committee and this amount includes the Committee Chairman fee.
- (14) Mr. Taylor has elected to receive his compensation in shares of common stock in lieu of cash. That election resulted in the conversion of the fees described above to 3,222 shares of common stock.
- (15) Mr. White was elected to replace Mr. Haggerty as Chairman of our Compensation Committee as of August 2008 and this amount includes the prorated Committee Chairman fee.

The Nominating and Governance Committee reviews Board compensation every other year based on a market analysis provided by the Nominating and Governance Committee's compensation consultant which is the same compensation consultant used by the Compensation Committee. For 2009, the compensation consultant is David Hofrichter, Ph.D. of Hewitt Associates. The compensation consultant advises the Nominating and Governance Committee on the competitive position of Board of Directors compensation relative to the peer group of companies used for executive compensation and market trends such as mix of cash and equity. The Nominating and Governance Committee is currently

evaluating what, if any, changes to the Board compensation program would be appropriate. Employee directors are not compensated for their service on the Board of Directors.

Stock Ownership Guidelines

In November 2004, the Board of Directors updated its stock ownership guidelines. The stock ownership guidelines provide that each of our directors now serving or later elected or appointed as a director is encouraged to own our stock in an amount not less than \$130,000. The stock ownership should be considered a long-term investment and be achieved within five years of joining the Board of Directors.

Board Retirement Policy

The Board has adopted a retirement policy that provides that:

- non-employee directors cannot be nominated for re-election as a director at the next annual meeting of shareholders following either 15 years of service as a director or reaching the age of 70, whichever comes first;
- a director who is also our Chief Executive Officer must submit his or her resignation from the Board when he or she ceases to be the Chief Executive Officer; and
- any other director who is an employee must retire from the Board (i) at the time of a reduction in his or her duties or responsibilities as an officer unless the Board at its sole discretion determines the officer continues to be qualified to act as a director, (ii) upon termination of his or her active service as an employee or (iii) upon attaining the age of 65, whichever is earliest.

Indemnification Agreements

It is our policy to indemnify directors and officers against any costs, expenses and other liabilities to which they may become subject by reason of their service to us and to insure our directors and officers against such liabilities to the extent permitted by applicable law. Our bylaws provide for indemnification of our directors, officers and employees against those costs, expenses and other liabilities as long as the director, officer or employee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests. We have also entered into indemnity agreements with each of our directors where we have agreed to indemnify each director to the full extent provided by applicable law and our bylaws as currently in effect.

Item No. 1 ELECTION OF DIRECTORS

General Information

Our Board of Directors is currently composed of ten directors divided into three classes. The members of each class are generally elected to serve three-year terms with the term of office of each class ending in successive years. The three directors serving in Class I have terms expiring at the 2009 Annual Meeting. The three Class I directors currently serving on the Board, Messrs. Fields, LeMay and Matthews, have been nominated by the Board of Directors for re-election for a three-year term at the Annual Meeting.

Each of the nominees standing for re-election has indicated a willingness to serve if elected. However, if any nominee becomes unable to serve before the election, the shares represented by proxy may be voted for a substitute designated by the Board.

Each Class I nominee elected will hold office until the annual meeting of shareholders to be held in 2012 or until his successor has been duly elected and qualified, unless prior to such meeting the director resigns or his directorship becomes vacant due to his death or removal.

Information Concerning Directors

Director Nominees — Class I (Term Ending 2009)

- Michael S. Fields Michael S. Fields, age 63, has been Chairman and Chief Executive Officer of KANA Software, Inc. (a customer relationship management software and services company) since September 2005. Also, since May 1997, Mr. Fields has been the Chairman of The Fields Group (a management consulting firm). In June 1992, Mr. Fields founded Open Vision (a supplier of computer systems management applications for open client/server computing environments). Mr. Fields served as Chairman and Chief Executive Officer of Open Vision from July 1992 to July 1995 and continued to serve as Chairman of the Board until April 1997. Prior to such time, Mr. Fields held a number of executive positions at Oracle Corporation (an enterprise software company), including President of Oracle USA. Mr. Fields has been a director of Imation since January 1998 and is also a director of two privately-held companies, ViaNovus, Inc., and Crucian Global Services, Inc.
- Ronald T. LeMay Ronald T. LeMay, age 63, has been an Industrial Partner of Ripplewood Holdings, LLC (a private equity fund) since October 2003, Executive Chairman of Last Mile Connections, Inc. (a network bandwidth exchange and solutions provider) since September 2005 and Chief Executive Officer since 2006, and Chairman of Aircell Inc. (a manufacturer and marketer of airborne telecommunication systems and services) since July 2006, both in the Ripplewood portfolio of companies. Mr. LeMay is also Chairman of October Capital (a private investment company). Mr. LeMay served as Representative Executive Officer of Japan Telecom (a telecommunications company) from November 2003 until the sale of the company in July 2004. Mr. LeMay served as President and Chief Operating Officer of Sprint Corporation (a telecommunications company) from October 1997 until April 2003. From July 1997 to October 1997, he served as Chairman and Chief Executive Officer of Waste Management, Inc. (a provider of waste management services). From February 1996 to July 1997, he served as President and Chief Operating Officer of Sprint. From March 1995 to September 1996, Mr. LeMay served as the Chief Executive Officer of Sprint Spectrum (a partnership among Sprint, Tele-Communications, Inc., Comcast Corporation and Cox Communications.) From 1989 to 1995, Mr. LeMay served as President and Chief Operating Officer of Sprint Long Distance. Mr. LeMay has been a director of Imation since July 1996 (except for the period from August 5, 1997 to December 31, 1997). He is also a director of Allstate Corporation and served as a director of Ceridian Corporation until December 2007.
- L. White Matthews, III L. White Matthews, III, age 63, has been retired since September 2001. From July 1999 until September 2001, Mr. Matthews served as Executive Vice President and Chief Financial Officer of Ecolab, Inc. (a developer and marketer of cleaning and sanitizing products and services) as well as a member of its Board of Directors. Mr. Matthews was retired from May 1998 to July 1999. From February 1977 to May 1998, Mr. Matthews served in various financial positions with Union Pacific Corporation (a company involved in rail/truck transportation and oil/gas exploration and production). From November 1989 to May 1998 he was Executive Vice President and Chief Financial Officer of Union Pacific and he was a member of its Board of Directors from 1994 to 1998. Mr. Matthews has been a director of Imation since February 2003. He is a director of

Matrixx Initiatives, Inc., a publicly-held company, and a director of PNC Funds, Inc., a privately-held company.

Board Members Continuing in Office — Class II (Term Ending 2010)

Charles A. Haggerty Charles A. Haggerty, age 67, has been Chief Executive Officer of LeConte Associates, LLC (a consulting and investment company) since January 2000. In June 1992, Mr. Haggerty became President and Chief Operating Officer and in July 1993, Chairman, President and Chief Executive Officer of Western Digital Corporation (a hard disk maker). Mr. Haggerty retired from Western Digital Corporation in June 2000. Prior to June 1992, Mr. Haggerty had a 28-year career with IBM Corporation (an information technology company), rising to the post of Vice President and General Manager of the worldwide OEM storage products business. Mr. Haggerty has been a director of Imation since October 2004. Mr. Haggerty is also a director of Pentair Corporation, Beckman Coulter, Inc., Deluxe Corporation and LSI Corporation.

Frank P. Russomanno Frank P. Russomanno, age 61, has been Vice Chairman of Imation since March 2009 and Chief Executive Officer of Imation since April 2007. He served as President of Imation from April 2007 to March 2009. Previously, he was Chief Operating Officer from November 2003 to April 2007 and from November 2006 to April 2007 was also acting Chief Executive Officer and President. Prior to November 2003, Mr. Russomanno was president of Imation's Data Storage and Information Management business. In this position, he led Imation's data storage businesses. Mr. Russomanno began his career with 3M Company in 1973 and has served at Imation since its spin-off from 3M in 1996. During his tenure with Imation and 3M, Mr. Russomanno has held several executive and managerial positions, including vice president of Imation Data Storage media and services business, general manager of Imation Advanced Imaging Program, corporate sales and marketing director, and global sales and marketing director for Photo Color Products. He also served as a European Business Unit Director while with 3M Company. Mr. Russomanno has been a director of Imation since April 2007.

Glen A. Taylor Glen A. Taylor, age 67, is Chairman of Taylor Corporation (a holding company in the specialty printing and marketing areas). In August 1994, he acquired the National Basketball Association Minnesota Timberwolves team, and in 1999 launched the WNBA women's basketball team, the Minnesota Lynx. Mr. Taylor has been a director of Imation since May 2000.

Daryl J. White Daryl J. White, age 61, has been retired since May 2001. From August 2000 until May 2001, Mr. White served as President and Chief Financial Officer of Legerity, Inc. (a supplier of data and voice communications integrated circuitry). Prior to such time, Mr. White served as the Senior Vice President of Finance and Chief Financial Officer of Compaq Computer Corporation (a computer equipment manufacturer) from 1988 until his retirement in May 1996. Mr. White has been a director of Imation since July 1996.

Board Members Continuing in Office — Class III (Term Ending 2011)

Linda W. Hart Linda W. Hart, age 68, Non-Executive Chairman of the Board of Imation, is Vice Chairman, President and Chief Executive Officer of Hart Group,

Inc. (a diversified group of companies primarily involved in residential and commercial building materials). Prior to joining Hart Group, Inc. in 1990, Ms. Hart was engaged in the private practice of law in Dallas, Texas. Ms. Hart has been a director of Imation since July 1996 and was elected Non-Executive Chairman in April 2007. Ms. Hart is also a director of each of the Hart Group companies: Hart Group, Inc., Rmax Operating, LLC and L&M Acquisitions, Inc. Ms. Hart also serves on the Board of Trustees for the Center for Strategic & International Studies, Washington, D.C.; the Women's Leadership Board, Harvard University, Kennedy School of Government; and numerous other educational, civic and charitable institutions.

Raymond Leung

Raymond Leung, age 52, is Chairman and Chief Executive Officer of TDK China Co., Ltd., TDK Corporation's subsidiary in China, a position he has held since 2005, Senior Vice President of TDK Corporation Japan, a position he has held since 2007, as well as Chairman of SAE Magnetics, a wholly owned subsidiary of TDK involved in the development, manufacture and sale of hard disk drive heads. He joined SAE Magnetics in 1981, which was later acquired by TDK in 1986. Mr. Leung has been an officer of TDK Corporation Japan since 2004. Mr. Leung has been a director of Imation since November 2007. Mr. Leung is TDK Corporation's nominee to serve on the Imation Board of Directors pursuant to the Investor Rights Agreement dated July 31, 2007 that Imation entered into with TDK, in conjunction with Imation's acquisition of the TDK Recording Media business. As a result of the TDK Recording Media business transaction, TDK became the largest shareholder of Imation. See "Information Concerning Solicitation and Voting-Related Person Transactions."

Charles Reich

Dr. Charles Reich, age 66, has been retired since October 1, 2004. From October 1, 2002 to October 1, 2004, Dr. Reich served as Executive Vice President of 3M Health Care, a major business segment of 3M Company (a diversified technology company and our former parent). Dr. Reich joined 3M Co. in 1968 as a research chemist and assumed a variety of management positions in the Research & Development organization before moving to business management in 1989. He held a variety of management and executive positions, including international postings, within 3M since that time. He also served as a member of the Executive Advisory Board, Juran Center for Leadership in Quality at the University of Minnesota. Dr. Reich has been a director of Imation since July 2004. Dr. Reich is also a director of the Patterson Companies.

The Board of Directors recommends you vote FOR the election of each of the nominees as directors of Imation for the term indicated above. Assuming the presence of a quorum, directors are elected by a plurality of the votes cast at the Annual Meeting by holders of common stock voting for the election of directors. This means that since shareholders will be electing three directors, the three nominees receiving the highest number of votes will be elected.

Our Guidelines contain a policy that in an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election will promptly offer to tender his or her resignation. The Nominating and Governance Committee will promptly consider the resignation offer and a range of possible responses based on the circumstances that led to the majority withheld vote, if known, and make a recommendation to the Board. The Board will act on the Nominating and Governance Committee's recommendation within 90 days following certification of the shareholder vote. The Board will promptly disclose its decision-making process and

decision regarding whether to accept the director's resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a Form 8-K furnished to the Securities and Exchange Commission.

Item No. 2
RATIFICATION OF THE APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit and Finance Committee has appointed PricewaterhouseCoopers LLP ("PwC") as our independent registered public accounting firm to audit our consolidated financial statements for 2009. PwC has audited our financial statements since PwC was formed in 1998 by the merger of the accounting firms of Price Waterhouse LLP and Coopers & Lybrand L.L.P. Prior to the merger, Coopers & Lybrand L.L.P. audited our financial statements for the years 1996 and 1997. Representatives of PwC will attend the Annual Meeting and will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions.

Shareholder ratification of the appointment of PwC as our independent registered public accounting firm is not required by our bylaws or otherwise. However, the Board of Directors is submitting the appointment of PwC to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the appointment, the Audit and Finance Committee will reconsider whether or not to retain PwC. Even if the appointment is ratified, the Audit and Finance Committee, which is solely responsible for appointing and terminating our independent registered public accounting firm may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that a change would be in our best interest and in the best interest of our shareholders.

The Board of Directors recommends you vote FOR ratification of the appointment of the independent registered public accounting firm. The affirmative vote of the holders of a majority of the shares of common stock present in person or by proxy and entitled to vote at the Annual Meeting is required for ratification of the appointment of the independent registered public accounting firm.

AUDIT AND FINANCE COMMITTEE REPORT

The Audit and Finance Committee of the Board of Directors (the "Committee") is composed of non-employee directors, each of whom is independent as defined under the New York Stock Exchange listing standards and the rules of the Securities and Exchange Commission. The Committee operates under a written charter adopted by the Board of Directors which is available on our web site. The Committee has taken the following actions with respect to Imation's audited financial statements for the year ended December 31, 2008:

- The Committee has reviewed and discussed the audited financial statements with Imation management.
- The Committee has discussed with PwC, Imation's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.
- The Committee has received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC's communications with the Committee concerning independence and has discussed with PwC its independence from Imation. In connection with its review of PwC's independence, the Committee also considered whether PwC's provision of non-audit services during the 2008 fiscal year was compatible with the maintenance of its independence and determined that it was.

- Based on the review and discussions described above, the Committee has recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the Securities and Exchange Commission.

AUDIT AND FINANCE COMMITTEE
L. White Matthews, III, Chair
Charles A. Haggerty
Ronald T. LeMay
Mark E. Lucas (until February 16, 2009)
Charles Reich
Daryl J. White

**AUDIT AND OTHER FEES AND
AUDIT AND FINANCE COMMITTEE PRE-APPROVAL POLICIES**

Audit and Other Fees

Following is a listing of the services provided by type and amount charged to us by PwC for fiscal years 2008 and 2007:

	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2007</u>
Audit Fees ⁽¹⁾ :		
GAAP and statutory audits	\$2,463,000	\$2,408,000
Audit-Related Fees:		
Services related to business transactions	\$ 42,000	\$ 514,000
Employee benefit plan audits	\$ 75,000	\$ 67,000
Attest services and other	<u>\$ 73,000</u>	<u>\$ 41,000</u>
Total Audit-Related Fees	\$ 190,000	\$ 622,000
Tax Fees (tax preparation, advice and consulting)	\$ 126,000	\$ 391,000
All Other Fees:		
Financial training materials	\$ 2,000	\$ 1,500

(1) Audit fees for the fiscal year ended December 31, 2008 are \$2,463,000 of which an aggregate amount of \$1,484,000 has been billed through December 31, 2008.

Audit and Finance Committee Pre-Approval Policy of Audit and Permissible Non-Audit Services

All the services provided by PwC are subject to pre-approval by the Audit and Finance Committee. The Audit and Finance Committee has authorized the Chairman of the Audit and Finance Committee to approve services by PwC in the event there is a need for approval prior to the next full Audit and Finance Committee meeting. The chair reports any pre-approval decisions to the Audit and Finance Committee at its next scheduled meeting.

With respect to each proposed pre-approved service, PwC will provide back-up documentation, including estimated fees regarding the specific services to be provided. The Audit and Finance Committee (or chair, as applicable) reviews the services and the estimated fees and considers whether approval of the proposed services will have a detrimental impact on PwC's independence prior to approving any service. On at least an annual basis, a member of our management reports to the Audit and Finance Committee all audit and non-audit services performed during the previous twelve months and all fees billed by PwC for those services.

In fiscal 2008 and 2007, all audit services, audit-related services, tax services and those items described above under all other fees were pre-approved by the Audit and Finance Committee.

COMPENSATION DISCUSSION AND ANALYSIS

General Philosophy: Our executive compensation program is designed to:

- attract and retain highly qualified key executives;
- align our executive officers' interests with the interests of shareholders; and
- provide competitive total compensation.

We compensate our executive officers primarily through a combination of base salary, bonus and long-term equity compensation to meet those objectives, as well as through retirement benefits and certain other benefits described below. The Compensation Committee of our Board of Directors (the "Committee") is responsible for establishing this executive compensation philosophy and administering each component of the executive compensation program. The Committee retains a nationally recognized outside compensation consultant to provide assistance to the Committee. The compensation consultant has been instructed to (i) assist in the development of the peer group of companies; (ii) provide advice on and comparisons to peer companies primarily in the areas of compensation philosophy, executive compensation market data, long and short-term incentive plan design and executive stock ownership; (iii) provide the Committee with information on legislative issues affecting compensation decisions; and (iv) prepare special analysis and reports as requested. In 2008, the Committee used David Hofrichter of Hewitt Associates as its compensation consultant. The Committee meets at least once per quarter, and more frequently if necessary, to perform its duties and responsibilities.

Upon receiving benchmark data from the Committee's compensation consultant, the Vice President, Human Resources prepares all relevant data relating to compensation of the executive officers for the Chief Executive Officer ("CEO") to review. The CEO, based on performance reviews and the compensation data presented to him, then prepares and presents his compensation recommendations for the executive officers other than the CEO to the Committee. Based upon the CEO's recommendation, the Committee reviews and then sets the compensation for each of Imation's executive officers other than the CEO. For the CEO, based on a review of the CEO's performance by the Nominating and Governance Committee (which is shared with the Committee) and the benchmark data from the Committee's compensation consultant, the Committee reviews and recommends the CEO's compensation to the independent members of the Board.

Targeted Total Compensation: Our compensation setting process establishes targeted total compensation for each executive officer and then allocates that targeted compensation among three elements: base salary, bonus and long-term equity compensation.

Each February, the Committee reviews our executive compensation, with the goal of ensuring the appropriate mix of compensation linked to individual and corporate performance. The Committee seeks the advice and input of both its compensation consultant and Imation's CEO. The Committee's compensation consultant compares the compensation of Imation's executive officers to a group of peer companies and its total compensation survey of manufacturing and technology companies of relatively comparable size, as approved by the Committee. The companies identified as a peer group for purposes of executive compensation comparison are determined by annual revenues, similar product lines and companies identified as competitors for purposes of executive talent. For 2008, the

Committee's compensation consultant identified 26 peer companies (chosen from five categories based on the factors referenced above) for use in executive compensation reviews as follows:

Digital:

- Nvidia Corp.
- Western Digital Corp.

Flash and Storage:

- Bell Microproducts Inc.
- Dot Hill Systems Corp.
- Iron Mountain Inc.
- Micron Technology Inc.
- SanDisk Corp.
- Silicon Storage Technology, Inc.
- Spansion Inc.
- Xyratex, Ltd.

Semiconductor and Electrical:

- LSI Corp.
- Microchip Technology Inc.
- Qlogic Corp.

Talent Competitors:

- CDW Corp.
- Digital River Inc.
- Garmin, Ltd.
- Harman International Industries Incorporated
- Network Appliance Inc.
- Overland Storage Inc.
- Plantronics Inc.
- Playtex Products, Inc.
- Quantum Corp.
- Quiksilver, Inc.

SIC and Industry:

- Hutchinson Technology, Inc.
- Logitech International
- Perot Systems Corp

In determining compensation, the Committee considers all elements of an executive's compensation package including base salary, annual bonus, long-term equity compensation, retirement plans, other compensation and benefits, and potential severance payouts. This information is provided to the Committee by the Vice President, Human Resources in a summary format for each executive. The Committee focuses on base salary, annual bonus and long-term equity compensation in determining annual total compensation. The Committee considers the other items to be important elements of a competitive compensation package and reviews them regularly but does not consider them significant factors in determining annual total compensation.

The Committee's executive compensation guidelines ("Guidelines"), adopted in 2007, generally target our executives' total compensation package to be between the 50th and 65th percentile of current market data. The Guidelines also list other factors to be taken into account including: level of experience, market environment, strategic direction of Imation, criticality of the executive's position, unique skills of the executive, retention concerns, internal equity (the relative value of the executive's position as compared to his or her executive peers), and the degree to which an executive can be replaced by an outside hire or internal promotion. The Guidelines provide that experienced executive officers who continue to deliver excellent performance could be paid total compensation up to the 75th percentile, or in very rare circumstances above the 75th percentile, of their market data, while still considering the factors described above. The Guidelines also address total compensation for newly-promoted or newly-hired executives which is targeted at the 25th percentile of their market data, with the objective to move executives who deliver high performance to the 50th percentile within two to five years, while still considering the factors described above. Except for Mr. Russomanno, Mr. Zeller and Dr. Kulkarni, all of our named executive officers have more than five years of experience in their current position. Mr. Russomanno was elected CEO in April 2007 (after being named Acting CEO in November 2006), Mr. Zeller was elected Chief Financial Officer (CFO) in August 2004 and Dr. Kulkarni was elected Vice President, Global Commercial Business, R&D and Manufacturing in August 2007. Mr. Russomanno, Mr. Zeller and Dr. Kulkarni each have significant prior experience with Imation. Mr. Russomanno's, Mr. Zeller's and Dr. Kulkarni's total compensation is within the target range established for newly-promoted executives. The aggregate total compensation for the other named executive officers was within the guidelines set out above and averaged at the 54th percentile of current market data.

The Committee's compensation consultant makes available peer group data for the individual elements of compensation (base salary, bonus and long term incentive equity compensation) at the 25th, 50th and 75th percentile to use as a reference point in making the compensation recommendations and decisions. However, the Committee does not set target ranges based on this benchmark data for these individual elements of compensation, but, as described above, uses the target ranges in measuring how the total compensation package relates to the peer group data.

Under our current compensation program, the mix of base salary, bonus and long-term equity compensation varies depending upon the position held by the executive. In allocating compensation among these elements, we believe that the compensation of our executive officers — the levels of management having the greatest ability to influence Imation's performance — should be predominately performance-based. We provide incentives for our executive officers to take appropriate action to generate returns for our shareholders and to be rewarded according to our performance. A result of our use of both long- and short-term incentives (and stock ownership guidelines described below), we believe our executive compensation program does not encourage our executives to take unreasonable risks relating to our business. For 2008, the three components of compensation were allocated approximately as follows: for Frank Russomanno, our CEO: base: 23%, bonus: 22%, equity: 55%; for Mr. Zeller, our CFO: base: 32%, bonus: 19%, equity: 49%; and for the other named executive officers: base: 38%, bonus: 19%, equity: 43%.

Base Salaries: We use base salary to recognize individual performance, level of responsibility and scope and complexity of the position of the executive officers. The CEO evaluates executive management against (i) their performance objectives for the year, (ii) their current compensation level relative to total compensation target ranges and individual reference points described above and (iii) the other Imation specific factors described in the executive compensation guidelines above. The CEO makes recommendations to the Committee for our executive officers other than the CEO based on an evaluation of each executive officer against these standards. The Committee reviews the recommendations and the underlying basis for those recommendations, and approves base salaries for each executive officer, except the CEO. For the CEO, based on a review of the CEO's performance by the Nominating and Governance Committee (which is shared with the Committee) and the benchmark data from the Committee's compensation consultant, the Committee reviews and recommends base salary for the CEO to the independent members of the Board. The approved annual base salary increases are effective on or about May 1st each year. We believe that base salaries for Imation's executive officers are positioned at competitive levels within our executive compensation guidelines.

Bonuses: We believe that compensation should focus our executive management on achieving short-term (annual) performance in a manner that supports Imation's long-term success and profitability. We also believe that wherever possible, all non-sales commissionable employees should be rewarded based on the same company-wide performance criteria. Therefore, our practice is to award cash bonuses each January based upon annual performance objectives for Imation for the previous calendar year to all eligible employees who are employed by Imation on December 31, including our executive officers, through our Annual Bonus Plan ("ABP"). The Committee approves an annual target bonus amount, which is a percentage of base salary, for all participating non-sales commissionable employees, based on job grade. For 2008, the target bonus amounts for executive officers ranged from 40% of base salary to 100% of base salary for the CEO. In determining the target bonus amount for the executive officers, the Committee reviews the bonus percentage with reference to the factors set forth in the Guidelines (including benchmark data from the peer group), and for executive officers other than the CEO, recommendations by the CEO. The Committee's determination of the target bonus amount for the CEO is made with input from its compensation consultant regarding market data from the peer group and a review of appropriate bonus level based on CEO experience and is recommended to the independent members of the Board for approval.

Additionally, the Board approves the financial performance targets for Imation as a whole as part of its review of executive management's annual operational plan. The financial targets are based upon

achievement of certain levels of performance against operating income targets, revenue targets and free cash flow targets (cash flow from operating activities less capital spending and without impact from cash taxes) at a minimum or threshold level, a target level and a maximum or stretch level. We chose these targets because we believe these are the key metrics in measuring our financial performance. The targets for 2008 were as follows (dollars in millions): 50% Threshold: revenue: \$2,275.0, operating income: \$100.0, cash flow \$109.2; 100% Target: revenue: \$2,400.0, operating income: \$110.0, cash flow \$119.2; 150% Maximum: revenue: \$2,525.0, operating income: \$120.0, cash flow \$129.2. The 2008 ABP weighted these three targets as follows: operating income 50%, revenue 25%, and cash flow 25%. Imation must achieve the threshold level of operating income before any payout is made under the ABP. If the threshold level of operating income is met, then each target is reviewed individually to determine what performance percentage was reached, which is then multiplied by the weighting for each target to determine the total bonus payout. At threshold performance for each factor, a 50% payout of each employee's annual targeted bonus-percentage would be payable and at the maximum performance for each factor 150% would be payable. Based on performance against each factor, if bonuses are paid, bonuses can be payable at any percentages between 50% and 150% of the target levels. These performance-based annual bonuses can be highly variable from year to year and are typically based on the base salary and bonus percentage in effect for each individual as of December 31 of the year for which the bonus is being paid. A bonus level for an individual can change based on a promotion during the year, and for executive officers, the bonus percentage may be prorated based on the date of promotion.

For 2008, the named executive officers could earn cash bonuses up to the following amounts:

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

For 2008, Imation's performance was below the threshold target with respect to our operating income and therefore we did not pay out any bonuses under our ABP to the named executive officers.

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

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

Our practice for determining equity grants to executive officers other than the CEO, as approved by the Committee, is to first determine the value of compensation that should be provided as equity, based on the individual performance, level of responsibility, scope and complexity of the position of the executive officers and the factors described above in the executive compensation guidelines.

Subsequent to that determination, our practice is to have the CEO make recommendations to the Committee, for executives other than the CEO, stock options and shares of restricted stock that have an estimated fair market value equal to that target amount on the date of grant with 50% of the value granted as stock options and 50% of the value granted as restricted stock. For the CEO, based on a review of the CEO's performance by the Nominating and Governance Committee (which is shared with the Committee) and the benchmark data from the Committee's compensation consultant, the Committee's practice is to review and recommend equity grants for the CEO to the independent members of the Board. The Committee's compensation consultant determines the value of the stock options and restricted stock using its modified Black-Scholes valuation model and an average price for a determined period, as established by the Committee, to determine the approximate number of shares to be granted. The exact number of shares is determined based on the compensation consultant's valuation model and the closing price on the date of grant.

With the exception of promotions and new hires, the CEO reviews the proposed awards during the February Committee and Board meetings and the awards are finalized and granted at the May Committee and Board meetings. This timing was selected because it enables us to consider prior year performance by Imation and the potential recipients and our expectations for the current year. The Committee and Board meeting schedule is determined at least a year in advance, and the proximity of any awards to earnings announcements or other market events is coincidental. The grant date of stock options and restricted stock is the date of the approval of the grants and the exercise price of stock options is the closing price of the underlying common stock on the grant date. In 2008, the Committee made an exception to that policy with respect to the grant date of the May restricted stock grants, since the Committee's scheduled meeting was the day before shareholder approval of the 2008 Stock Incentive Plan and there were not enough shares remaining in the 2005 Stock Incentive Plan to make all of the equity grants. The Committee approved all of the grants as of the date of their May meeting, but the grant date of the restricted stock was the following day (after shareholder approval of the 2008 Stock Incentive Plan).

2008 Compensation: As a result of the processes described above, the Committee made the following compensation decisions for 2008 with respect to base salary and bonus based on a review of the named executive officers' performance, the executive compensation guidelines and peer group compensation:

- *Frank Russomanno:* The Committee determined to increase Mr. Russomanno's base salary 15.2%, from \$625,000 to \$720,000, and change his target bonus percentage from 85% to 100%. This decision was made to reward performance and to position him more in line with the market data for CEOs in the peer group. As shown in the Summary Compensation Table, Mr. Russomanno's salary and equity compensation in 2008 were higher than our other named executives. The Committee believes that the difference in compensation is appropriate due to the level of overall responsibility of our CEO for the business and operations of Imation compared to our other executive officers and is consistent with higher comparative market data for the CEO position.
- *Paul Zeller:* The Committee determined to increase Mr. Zeller's base salary 5.9%, from \$372,000 to \$394,000, and not to change his target bonus percentage. This decision was made to reward performance and was in line with the executive compensation guidelines and his level of peer group compensation as described above.
- *Jacqueline Chase:* The Committee determined to increase Ms. Chase's base salary 4%, from \$295,000 to \$306,800, and not to change her target bonus percentage. This decision was made to reward performance and was in line with the executive compensation guidelines and her level of peer group compensation as described above.
- *Subodh Kulkarni:* The Committee determined to increase Dr. Kulkarni's base salary 12.3%, from \$269,000 to \$302,000, and not to change his target bonus percentage. This decision was

made to reward performance and was in line with the executive compensation guidelines and his level of peer group compensation as described above.

- *John Sullivan:* The Committee determined to increase Mr. Sullivan's base salary 5.8%, from \$359,000 to \$380,000, and not to change his target bonus percentage. This decision was made to reward performance and was in line with the executive compensation guidelines and his level of peer group compensation as described above.

The Committee, and in the case of the CEO, the independent members of the Board, also granted stock options and restricted stock as described in the table "Grants of Plan Based Awards." The May grants were the annual equity grants made as part of the process described above.

Stock Ownership Guidelines: In November 2004, the Committee approved stock ownership guidelines as a multiple of base pay for executive management as follows: CEO (2.5x), Chief Operating Officer and CFO (1.5x) and Vice Presidents (1x). Executives are generally required to achieve their ownership within five years from the date they become subject to the guidelines. If an executive's stock ownership guideline increases because of a promotion to a higher-level position, the five-year period to achieve the incremental guideline begins in January following the year of the promotion. We include personal holdings, including vested restricted stock and 401(k) Plan holdings and excluding unvested restricted stock and unexercised options, to determine if the stock ownership guidelines are met.

In late 2007, the Committee directed its compensation consultant to review the stock ownership guidelines for the peer companies. Based on that review, in February 2008 the Committee adjusted the ownership levels of the CEO to 3x and the Chief Operating Officer and CFO to 2x. Due to global economic conditions in 2008 and the related decline in Imatation's stock price, none of the executive officers are on pace to meet the stock ownership guidelines outlined above.

Recoupment or Clawback Policy: In May 2008, the Committee approved a recoupment or clawback policy pursuant to which each of our officers would be required, at the request of the Committee, to repay or return certain cash bonus payments and stock incentives in the event of a restatement of a financial statement caused, or partially caused, by such officer's intentional misconduct. The recoupment applies to amounts received under the Company's ABPs and to stock option grants and restricted stock awards. In addition to the policy, the Committee also approved specific recoupment clauses to be placed in the 2008 and future ABP documents and 2008 and future officer stock option and restricted stock agreements that are consistent with the recoupment policy.

Severance Benefits: We believe that companies should provide reasonable severance benefits to executive officers to reflect the fact that it may be difficult for executives to find comparable employment within a short period of time. We also believe severance benefits are an important part of our overall compensation philosophy and are needed in order to attract and retain highly qualified key executives and provide competitive total compensation. In late 2005 through early 2006, the Committee reviewed certain aspects of our existing severance agreements, including the change of control and payment provisions. The Committee's compensation consultant at that time provided guidance on current practices in termination provisions and payment terms, including information on trends among comparable companies generally in this area and guidance from institutional shareholder and shareholder advocacy groups. The Committee also had assistance from outside legal advisors with respect to these practices. Based on that review, the Committee approved the severance agreement used by us in February 2006. Certain additional changes to the severance agreement were made in November 2007, primarily to ensure that the severance agreement is in compliance with Section 409A of the Internal Revenue Code relating to deferred compensation. The Committee considers severance benefits to be an important element of a competitive compensation package but does not consider severance benefits to be a significant factor in determining annual total compensation. We have entered into a severance agreement with each of the named executive officers in the Summary Compensation Table.

The severance agreements provide certain benefits upon termination of employment depending on the circumstances of termination, excluding, for example, termination for Cause (as defined in the severance agreement) and including a change of control. The Committee believes that it is important to protect our executive officers in the event of a change of control. Further, it is the Committee's belief providing change of control benefits should eliminate or reduce the reluctance of executive management to pursue potential change of control transactions that may be in the best interests of shareholders. The severance agreements with our executive officers contain a "double trigger" for change of control benefits, which means that there must be both a change of control and a termination of employment for the provisions to apply. The Committee believes the "double trigger" is more appropriate than a "single trigger" because it prevents unnecessary payments to executive officers in the event of a change of control in which the executive officer's employment is not terminated.

For details on the terms of the severance provisions in the severance agreements and the amounts each executive officer would have received under the applicable agreement based on a hypothetical termination date of December 31, 2008, see "Severance Agreements with Named Executive Officers."

Retirement Plans: The Committee believes that retirement plan benefits are important for long-term retention and to be competitive in the marketplace. Since July 1, 1996, Imation has provided the following retirement plans for all U.S.-based employees:

- a 401(k) Plan in which Imation matches 100% of employee contributions up to 3% of compensation plus 25% of employee contributions between 3% and 6% of compensation. Matching contributions are made in the form of Imation stock and are immediately vested. In 2008, employees could contribute up to 20% of their eligible earnings, up to the IRS annual limit (\$15,500 in 2008, plus an additional \$5,000 for employees who had attained age 50). The maximum matching contribution per employee in 2008 was \$8,625. Each named executive officer contributed an amount sufficient to receive the maximum matching contribution.
- a qualified defined benefit pension plan under which Imation contributes 6% of each employee's eligible compensation into the Cash Balance Defined Benefit Pension Plan each year up to the qualified plan compensation limit (\$230,000 in 2008).
- a non-qualified supplemental retirement plan under which Imation allocates 6% of each employee's eligible compensation each year above the qualified plan compensation limit (\$230,000 in 2008).

In addition, certain employees who were employed by 3M Company when Imation was spun off in 1996 retain the right to accrue additional benefits in the Cash Balance Defined Benefit Pension Plan.

In order to take advantage of the Internal Revenue Service "safe harbor design" and eliminate the cost of certain required testing of the 401(k) Plan, Imation determined it was appropriate to change the matching contribution formula under the 401(k) Plan to 100% of employee contributions up to 3% of compensation plus 50% of employee contributions that are between 3% and 5% of compensation, effective January 1, 2009. The January 2009 amendment to the 401(k) Plan further provided that eligible employees could contribute up to 60% of pay (up to the IRS annual limit of \$16,500, plus an additional \$5,500 for employees who have attained age 50) under the 401(k) Plan. Due to global economic conditions, in February 2009 Imation determined it was appropriate to reduce its 401(k) Plan matching contribution as a cost saving-measure to 50% of employee contributions up to 3% of compensation plus 25% of employee contributions that are between 3% and 5% of compensation. This change is targeted to be effective in April 2009. Additional details regarding all of the Imation retirement plans are provided in the section entitled "Compensation under Retirement Plans."

Other Compensation and Benefits: The CEO annually reviews with the Committee the perquisites that executive officers receive. The primary perquisites available to executive officers that are not available to all employees include the reimbursement of up to \$2,500 per year for personal tax return preparation (grossed-up to cover the taxes on the reimbursed amount), the payment of premiums on an executive life insurance policy (grossed-up to cover the taxes on the amount), and the payment of

costs associated with a comprehensive annual medical exam not covered under our medical plan. We believe that good tax preparation by experts reduces the amount of time and attention that executive officers must spend on that exercise and reduces the risk of any personal tax issues. The existence of an executive life insurance policy, targeting four times base pay while the executive is working, helps ensure the executive officer's family is properly provided for in the event of an untimely death. The executive medical exam plan helps ensure the health and availability of our executive officers over the long-term. The perquisites provided are below the median level of those provided at our peer group of companies.

Executive officers participate in Imation's other benefit plans on the same terms as other employees. These plans include medical, dental, life, disability and vision insurance and legal services as well as a flexible spending account and paid time off programs.

Other Significant Compensation Decisions: In September 2008, the Committee reviewed the peer group of companies for executive compensation. Due to changes with respect to certain of the companies, such as privatization and acquisition, the Committee's compensation consultant proposed a new peer group. After certain suggestions and modifications from the Committee, a new peer group of 18 companies was chosen to be used for 2009 compensation decisions. The group is comprised of:

Digital:

- Nvidia Corp.

Flash and Storage:

- Dot Hill Systems Corp.
- Iron Mountain Inc.
- Micron Technology Inc.
- SanDisk Corp.
- Silicon Storage Technology, Inc.
- Spansion Inc.

Semiconductor and Electrical:

- LSI Logic Corp.
- Microchip Technology Inc.
- Qlogic Corp.

Talent Competitors:

- Digital River Inc.
- Garmin, Ltd.
- Network Appliance Inc.
- Plantronics Inc.
- Quantum Corp.
- Quiksilver, Inc.

SIC and Industry:

- Hutchinson Technology, Inc.
- Perot Systems Corp

On February 16, 2009, the Board of Directors approved the design and categories of financial performance targets for Imation for its 2009 Annual Bonus Plan. The payout of bonuses will be derived through achievement of certain levels of board approved performance targets for operating income and free cash flow.

Deductibility of Executive Compensation: Section 162(m) of the Internal Revenue Code limits Imation's ability to deduct, for federal income tax purposes, certain compensation (which is not performance-based) in excess of \$1 million per year paid to executive management personnel. The tax law exempts from this rule compensation resulting from the exercise of stock options granted under the conditions specified in the regulations. Under Imation's stock incentive plans, compensation deemed paid to an executive officer when he or she exercises an outstanding option qualifies as performance-based compensation which will not be subject to the \$1 million limitation. For fiscal year 2008, the compensation paid to Mr. Russomanno was slightly more than the Section 162(m) limit. The Committee has reviewed, and will continue to review as circumstances change, the effects of the Section 162(m) limit on the deductibility of amounts paid under Imation's compensation programs.

Conclusion: Imation and the Committee believe Imation's compensation policies and practices are appropriately designed to meet Imation's stated objectives and fully support our overall compensation philosophy and business objectives.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in Imation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

COMPENSATION COMMITTEE

Daryl J. White, Chair

Michael S. Fields

Linda W. Hart

Mark E. Lucas (until February 16, 2009)

Glen Taylor

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The table below shows compensation for the last three fiscal years for the individuals who served as Chief Executive Officer and Chief Financial Officer during 2008 and each of the other three most highly compensated executive officers who were serving as executive officers at the end of 2008.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$) ⁽⁴⁾	All Other Compensation (\$) ⁽⁵⁾	Total (\$)
Frank P. Russomanno	2008	687,129	350	593,030	502,163	0	89,882 ⁽⁶⁾	79,746	1,952,300
President and Chief	2007	625,012	0	508,977	434,845	0	92,762 ⁽⁶⁾	38,299	1,699,895
Executive Officer	2006	531,549	0	376,402	415,851	463,043	83,726 ⁽⁶⁾	30,113	1,900,684
Paul R. Zeller	2008	386,392	0	337,125	295,743	0	31,696	49,316	1,100,272
Vice President and Chief	2007	365,238	0	277,606	249,978	0	41,282	30,407	964,511
Financial Officer	2006	339,237	200	208,468	226,037	248,640	38,743	25,145	1,086,470
Jacqueline A. Chase ⁽⁷⁾	2008	302,721	0	219,698	143,043	0	29,104	41,258	735,824
Vice President,	2007	291,929	0	171,446	135,518	0	35,957	26,769	661,619
Human Resources	2006	281,929	0	103,106	152,144	168,720	34,891	21,014	761,804
Subodh K. Kulkarni ⁽⁸⁾	2008	290,583	0	108,201	167,358	0	21,796	21,225	609,163
Vice President, Global	2007	266,236	150	54,875	166,090	0	26,843	13,799	527,993
Commercial Business, R&D and Manufacturing									
John L. Sullivan	2008	372,738	100	210,523	188,780	0	33,952	39,597	845,690
Senior Vice President,	2007	351,622	0	186,158	178,954	0	41,468	27,315	785,517
General Counsel and Secretary	2006	330,083	0	138,904	194,262	198,320	39,586	25,721	926,876

- (1) The amount shown for 2008 is a 35 year service award (including service credit for service with 3M) for Mr. Russomanno and a 10 year service award for Mr. Sullivan. The amount shown for 2007 is a 15 year service award (including service credit for service with 3M) for Dr. Kulkarni. The amount shown for 2006 is a 20 year service award (including service credit for service with 3M) for Mr. Zeller. We award annual bonuses solely based on our achievement of certain performance targets. Accordingly, annual bonus amounts are provided in the Non-Equity Incentive Plan Compensation column of this table.
- (2) Stock and option awards are calculated in accordance with SFAS 123R on the same basis as used for financial reporting purposes for the fiscal year. Refer to footnote 12 of Item 8 of our Annual Reports on Form 10-K for the fiscal year ended December 31, 2008 and footnote 13 of Item 8 of our Annual Reports on Form-10-K for the fiscal years ended 2007 and 2006 for our policy and assumptions made in the valuation of share-based payments.
- (3) The amounts shown are cash payments payable to the named executive officers under our ABP. See "Compensation Discussion and Analysis-Bonuses."
- (4) The amounts in this column represent changes in pension value. There are no non-qualified deferred compensation earnings for any of the named executive officers. The 2008 present value of our pension plans was calculated using the assumptions described in the Pension Benefits Table. See "Compensation Under Retirement Plans." The 2007 present value of our pension plans was calculated using a discount rate of 6.00%; an interest crediting rate of 5.00%; the years to age 65 for each named executive officer as follows: Mr. Russomanno: 4.6667; Mr. Zeller: 17.3333; Ms. Chase: 10.6667; Dr. Kulkarni: 21.4167 and Mr. Sullivan: 11.5 and the following present value factor: Mr. Russomanno: 0.9567; Mr. Zeller: 0.8485; Ms. Chase: 0.9038; Dr. Kulkarni: 0.8163 and Mr. Sullivan: 0.8967. The 2006 present value of our pension plans was calculated using a discount rate of 5.75%; an interest crediting rate of 4.75%; the years to age 65 for each named executive officer as follows: Mr. Russomanno: 5.6667; Mr. Zeller: 18.3333; Ms. Chase: 11.6667; Dr. Kulkarni: 22.4167 and Mr. Sullivan: 12.5 and the following present value factor: Mr. Russomanno: 0.9476; Mr. Zeller: 0.8401; Ms. Chase: 0.8951; Dr. Kulkarni: 0.8082 and Mr. Sullivan: 0.8880.

- (5) The items for 2008 that make up the amounts in this column are described in the Supplemental All Other Compensation Table below.
- (6) \$30,270 of this amount for 2008, \$14,328 of this amount for 2007 and \$12,673 of this amount for 2006 is related to Mr. Russomanno's benefit from his service at 3M Company. See "Compensation under Retirement Plans."
- (7) On February 16, 2009, Imation announced that Ms. Chase will be leaving Imation to pursue other interests, effective May 29, 2009. Upon her departure, Ms. Chase will be entitled to a severance payment under our severance agreement for executive officers.
- (8) Dr. Kulkarni was not a named executive officer in 2006, therefore his information is only provided for 2007 and 2008.

Supplemental All Other Compensation Table

Name	Perks and Other Personal Benefits (\$)	Tax Reimbursements (\$) ⁽¹⁾	Registrant Contributions to Defined Contribution Plans (\$) ⁽²⁾	Insurance Premiums (Executive Life)(\$)	Dividends or Earnings on Stock or Option Awards (\$) ⁽³⁾
Frank P. Russomanno	0	170	8,625	0	70,951
Paul R. Zeller	2,500	1,909	8,625	1,429	34,853
Jacqueline A. Chase	2,500	3,497	8,625	4,696	21,940
Subodh K. Kulkarni	0	507	8,625	1,044	11,049
John L. Sullivan	2,500	2,698	8,625	2,953	22,821

- (1) These amounts represent a gross-up for taxes on Mr. Russomanno's 35 year service award and Mr. Sullivan's 10 year service award, a gross-up for taxes for all the named executive officers, except Mr. Russomanno and Dr. Kulkarni, on the payment for tax preparation services, and a gross-up for taxes for all the named executive officers, except Mr. Russomanno, on the payment for insurance premiums. The amount paid for tax preparation services is included in the column entitled "Perks and Other Personal Benefits." The amount paid for insurance premiums is included in the column entitled "Insurance Premiums (Executive Life)."
- (2) The amount shown is the value of our contributions of common stock to the accounts of the named executive officers under our 401(k) Plan.
- (3) For each named executive officer, the amount includes (i) dividends paid on the vesting of restricted stock in 2008 and (ii) dividends accrued in 2008 for all unvested restricted stock awards as follows: Mr. Russomanno: (i) \$28,969 and (ii) \$41,982; Mr. Zeller: (i) \$12,014 and (ii) \$22,838; Ms. Chase: (i) \$7,506 and (ii) \$14,434; Dr. Kulkarni: (i) \$1,521 and (ii) \$9,528; and Mr. Sullivan: (i) \$7,613 and (ii) \$15,209. The value of dividends on unvested restricted stock is not included by Imation in the calculation of grant date fair value under SFAS 123R.

Grants of Plan-Based Awards

The following table summarizes the 2008 grants of equity and non-equity plan-based awards.

Grants of Plan-Based Awards									
Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾									
Name	Grant Date	Approval Date ⁽²⁾	Threshold (\$)	Target (\$)	Maximum (\$)	All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options (#) ⁽⁴⁾	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁵⁾
Frank P. Russomanno	May 6, 2008	May 6, 2008	360,000	720,000	1,080,000	44,024	144,308	24.02	887,494
	May 7, 2008	May 6, 2008							887,524
Paul R. Zeller	May 6, 2008	May 6, 2008	118,200	236,400	354,600	14,880	48,780	24.02	299,997
	May 7, 2008	May 6, 2008							299,981
Jacqueline A. Chase	May 6, 2008	May 6, 2008	76,700	153,400	230,100	7,440	24,392	24.02	150,011
	May 7, 2008	May 6, 2008							149,990
Subodh K. Kulkarni	May 6, 2008	May 6, 2008	75,500	151,000	226,500	9,920	32,520	24.02	199,998
	May 7, 2008	May 6, 2008							199,987
John L. Sullivan	May 6, 2008	May 6, 2008	95,000	190,000	285,000	9,920	32,520	24.02	199,998
	May 7, 2008	May 6, 2008							199,987

- (1) This represents a bonus opportunity under our 2008 ABP for 2008 performance. The actual amount paid out under our 2008 ABP was zero, as described in the Summary Compensation Table. The 2008 ABP performance conditions are described under "Compensation Discussion and Analysis-Bonuses"
- (2) Because there was an insufficient number of shares remaining under the 2005 Stock Incentive Plan to grant the May 2008 restricted stock grants, the Compensation Committee approved, on May 6, 2008, the restricted stock to be granted under the 2008 Stock Incentive Plan, which required shareholder approval of the 2008 Stock Incentive Plan on May 7, 2008.
- (3) The restricted stock, which was granted under our 2008 Stock Incentive Plan, vests at a rate of 25% each year beginning on the first anniversary of the grant date. Dividends on the restricted stock are accrued by limitation at the same rate as payable to all of our shareholders and are paid if and when the restricted stock vests. The restricted stock becomes immediately vested in full in the event of involuntary termination of employment within two years of a change of control (other than for death, disability or cause). The value of the accrued dividends is included in the Supplemental All Other Compensation Table.
- (4) These options, which were granted under our 2005 Stock Incentive Plan, have an exercise price equal to the closing price of a share of common stock on the grant date, become exercisable at the rate of 25% each year beginning on the first anniversary of the grant date, and expire ten years from the grant date. These options become immediately exercisable in full in the event of involuntary termination of employment within two years of a change of control (other than for death, disability or cause).
- (5) In accordance with SFAS 123R, we chose the Black-Scholes option pricing model to estimate the grant date present value of the options set forth in this table. Our use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require a prediction about the future movement of the stock price. The following assumptions were made for purposes of calculating the grant date present value for the options: risk free rate: 3.061%; expected life: 5.1 years; volatility: 30.87%; and dividend yield: 2.657%; resulting in a grant date fair value of \$5.90 per share. The grant date fair

value of the restricted stock is equal to the closing stock price of \$24.09 on the date of grant, May 7, 2008.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the total outstanding equity awards as of December 31, 2008 for each of the named executive officers in the Summary Compensation Table.

Name	Option Awards					Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock Held That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾
Frank P. Russomanno	15,000			29.00	5/15/2010		
	10,000			23.06	2/7/2012		
	15,000			30.53	8/6/2012		
	30,000			33.20	5/18/2013		
	13,958			39.87	5/5/2011		
	28,725	9,575 ⁽²⁾		34.17	5/3/2015		
	17,700	17,700 ⁽³⁾		41.62	5/3/2016		
	15,000	15,000 ⁽⁴⁾		44.25	11/9/2016		
	144,308 ⁽⁵⁾		24.02	5/6/2018			
					58,849 ⁽⁶⁾	798,581	
Paul R. Zeller	15,000			28.75	4/30/2010		
	3,750			23.06	2/7/2012		
	10,000			30.53	8/6/2012		
	10,000			33.20	5/18/2013		
	4,653			39.87	5/5/2011		
	7,218			33.03	11/10/2011		
	18,375	6,125 ⁽²⁾		34.17	5/3/2015		
	10,350	10,350 ⁽³⁾		41.62	5/3/2016		
6,615	19,845 ⁽⁷⁾		37.59	5/9/2017			
	48,780 ⁽⁵⁾		24.02	5/6/2018			
					26,642 ⁽⁸⁾	361,532	
Jacqueline A. Chase	3,125			33.20	5/18/2013		
	2,908			39.87	5/5/2011		
	5,550	2,775 ⁽²⁾		34.17	5/3/2015		
	5,250	5,250 ⁽³⁾		41.62	5/3/2016		
	3,650	10,950 ⁽⁷⁾		37.59	5/9/2017		
	24,392 ⁽⁵⁾		24.02	5/6/2018			
					16,007 ⁽⁹⁾	217,215	
Subodh K. Kulkarni	1,500			23.06	2/7/2012		
	1,000			28.99	6/30/2012		
	250			34.30	5/8/2013		
	6,350			34.30	5/8/2013		
	7,500			35.15	12/30/2013		
	4,000			39.87	5/5/2011		
	7,500			31.83	12/30/2011		
	4,125	1,375 ⁽²⁾		34.17	5/3/2015		
	2,500	2,500 ⁽¹⁰⁾		45.17	1/3/2016		
	4,500	4,500 ⁽³⁾		41.62	5/3/2016		
	3,650	10,950 ⁽⁷⁾		37.59	5/9/2017		
	32,520 ⁽⁵⁾		24.02	5/6/2018			
					14,512 ⁽¹¹⁾	196,928	
John L. Sullivan	7,500			23.06	2/7/2012		
	10,000			30.53	8/6/2012		
	16,000			33.20	5/18/2013		
	7,444			39.87	5/5/2011		
	11,325	3,775 ⁽²⁾		34.17	5/3/2015		
	7,400	7,400 ⁽³⁾		41.62	5/3/2016		
	4,391	13,173 ⁽⁷⁾		37.59	5/9/2017		
		32,520 ⁽⁵⁾		24.02	5/6/2018		
					17,788 ⁽¹²⁾	241,383	

(1) The market value is based on the closing price at December 31, 2008 (the last business day of the year) of \$13.57.

(2) This option vests 25% each year, beginning on the first anniversary of the grant date of May 3, 2005. For each named executive officer, the options listed will vest on May 3, 2009.

- (3) This option vests 25% each year, beginning on the first anniversary of the grant date of May 3, 2006. For each named executive officer, the following options will vest on each May 3 in 2009 and 2010: Mr. Russomanno: 8,850; Mr. Zeller: 5,175; Ms. Chase: 2,625; Dr. Kulkarni: 2,250; and Mr. Sullivan: 3,700.
- (4) This option vests 25% each year, beginning on the first anniversary of the grant date of November 9, 2006. 7,500 options will vest on each November 9 in 2009 and 2010.
- (5) This option vests 25% each year, beginning on the first anniversary of the grant date of May 6, 2008. For each named executive officer, the following options will vest on each May 6 in 2009, 2010, 2011 and 2012: Mr. Russomanno: 36,077; Mr. Zeller: 12,195; Ms. Chase: 6,098; Dr. Kulkarni: 8,130; and Mr. Sullivan: 8,130.
- (6) Restricted stock vests 25% per year, beginning on the first anniversary of the grant date. With respect to these shares: an aggregate of 18,056 shares will vest on May 3 and 7, 2009; an aggregate of 13,781 will vest on May 3 and 7, 2010; 2,500 will vest each November 9 in 2009 and 2010, and 11,006 will vest on each May 7, 2011 and 2012.
- (7) This option vests 25% each year, beginning on the first anniversary of the grant date of May 9, 2007. For each named executive officer, the following options will vest on each May 9 in 2009, 2010 and 2011: Mr. Zeller: 6,615; Ms. Chase: 3,650; Dr. Kulkarni: 3,650; and Mr. Sullivan: 4,391.
- (8) Restricted stock vests 25% per year, beginning on the first anniversary of the grant date. With respect to these shares: an aggregate of 9,999 shares will vest on May 3, 7 and 9, 2009; an aggregate of 7,274 shares will vest on May 3, 7, and 9, 2010; an aggregate of 5,649 shares will vest on May 7 and 9, 2011; and 3,720 will vest on May 7, 2012.
- (9) Restricted stock vests 25% per year, beginning on the first anniversary of the grant date, except for 2,500 shares which vests on December 31, 2009. With respect to the remaining shares: an aggregate of 4,974 shares will vest on May 3, 7 and 9, 2009; an aggregate of 3,749 shares will vest on May 3, 7 and 9, 2010, an aggregate of 2,924 shares will vest on May 7 and 9, 2011, and 1,860 will vest on May 7, 2012.
- (10) This option vests 25% each year, beginning on the first anniversary of the grant date of January 3, 2006. 1,250 options will vest on each January 3 in 2009 and 2010.
- (11) Restricted stock vests 25% per year, beginning on the first anniversary of the grant date. With respect to these shares: an aggregate of 4,244 shares will vest each May 3, 7 and 9 in 2009 and 2010, an aggregate of 3,544 shares will vest on May 7 and 9, 2011, and 2,480 will vest on May 7, 2012.
- (12) Restricted stock vests 25% per year, beginning on the first anniversary of the grant date. With respect to these shares: an aggregate of 6,611 shares will vest on May 3, 7 and 9, 2009; an aggregate of 4,936 shares will vest on May 3, 7 and 9, 2010; an aggregate of 3,761 shares will vest on May 7 and 9, 2011; and 2,480 will vest on May 7, 2012.

Option Exercises and Stock Vested

The following table summarizes the number of option awards exercised and restricted stock vested during 2008 for each of the named executive officers in the Summary Compensation Table.

Name	Option Exercises and Stock Vested			
	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(⁽¹⁾)
Frank P. Russomanno	0	0	15,865	351,670
Paul R. Zeller	0	0	8,254	184,354
Jacqueline A. Chase	0	0	5,579	118,477
Subodh K. Kulkarni	0	0	1,764	42,822
John L. Sullivan	0	0	5,366	129,022

(1) The value realized on the vesting of stock awards is the fair market value of our common stock at the time of vesting.

Compensation Under Retirement Plans

Our Retirement Investment Plan (“401(k) Plan”), which is qualified under the applicable provisions of the Internal Revenue Code, covers all of our domestic employees. Eligible employees may enroll in the 401(k) Plan upon joining Imation and can contribute up to 20% of pay on a pre-tax basis, up to a maximum amount determined each year by the IRS. Imation matches a portion of the contributions: 100% of employee contributions up to 3% of compensation plus 25% of employee contributions between 3% and 6% of compensation.

In order to take advantage of the Internal Revenue Service “safe harbor design” and eliminate the cost of certain required testing of the 401(k) Plan, Imation determined it was appropriate to change the matching contribution formula under the 401(k) Plan to 100% of employee contributions up to 3% of compensation plus 50% of employee contributions that are between 3% and 5% of compensation, effective January 1, 2009. The January 2009 amendment to the 401(k) Plan further provided that eligible employees could contribute up to 60% of pay (up to the IRS annual limit of \$16,500, plus an additional \$5,500 for employees who have attained age 50) under the 401(k) Plan. Due to global economic conditions, in February 2009 Imation determined it was appropriate to reduce its 401(k) Plan matching contribution as a cost saving-measure to 50% of employee contributions up to 3% of compensation plus 25% of employee contributions that are between 3% and 5% of compensation. This change is targeted to be effective in April 2009.

Our Cash Balance Defined Benefit Pension Plan (the “Pension Plan”), which is qualified under the applicable provisions of the Internal Revenue Code, covers all of our domestic employees. Under the Pension Plan, benefits are determined by the amount of annual pay credits to each employee’s account (equal to 6% of each employee’s annual eligible earnings paid in that year, which are earnings under the limits described below) and annual interest credits (equal to the average yield on 30-year U.S. Treasury Bonds for November of the previous year) to such accounts. For the 2008 Pension Plan year, the interest-crediting rate was 4.52%. At retirement (age 65 or greater), participants eligible for benefits may receive their account balance in a lump sum or as a monthly pension having an equivalent actuarial value based on conversion factors established under the Pension Plan. Participants may also choose early retirement at age 55, but must have at least three years of service credit, and may also receive their account balance in a lump sum or as a monthly pension having an equivalent actuarial value, calculated as described above. Mr. Russomanno is eligible for early retirement. We may provide extra years of credited service in connection with business acquisitions, treating the service with the former employer as service to Imation.

Certain limitations on the amount of benefits under tax qualified plans, such as our 401(k) Plan and the Pension Plan, were imposed by the Employee Retirement Income Security Act of 1974 (“ERISA”) and Tax Reform Act of 1986 (“TRA”). These limits, among other things, cap the amount of eligible earnings under the Pension Plan, which for 2008 was \$230,000. Our non-qualified supplemental benefit plan (“Excess Plan”) provides for the payment of amounts to employees who may be affected by those limitations in the same manner as the Pension Plan. The result of the payments under the Excess Plan is that, in general, total benefits will be equal to the level of benefits which would have been payable under the Pension Plan but for the ERISA and TRA eligible earning limitations. The benefits under the Pension Plan and Excess Plan vest after three years of service.

Mr. Russomanno also retains, so long as he remains employed with Imation, the right to receive benefits accrued as of the date we were spun off from 3M Company under 3M’s pension plan. Imation employees who were 3M employees immediately prior to the spin-off and whose age and years of 3M pension service as of the spin-off date equaled or exceeded 50 (with a minimum of 10 years of 3M pension service) continue to be credited with service for purposes of early retirement subsidies under 3M’s pension plan based on their combined pension service with Imation and 3M, and will have their 3M accrued benefits as of the spin-off date increased following the spin-off by 4% per year of employment with Imation. One half of the 4% per year increase will be paid to the individual by 3M and one half will be paid by Imation. This benefit is unreduced at age 61. Mr. Russomanno is eligible to continue to accrue service credit under 3M’s pension plan as described above.

The following table summarizes the present accumulated value of the pension benefits of the named executive officers in the Summary Compensation Table as of December 31, 2008.

Pension Benefits				
Name	Plan Name	Number of Years Credited Service ⁽¹⁾ (#)	Present Value of Accumulated Benefit ⁽²⁾ (\$)	Payments During Last Fiscal Year (\$)
Frank P. Russomanno ⁽³⁾	Pension Plan	35	316,091 ⁽⁴⁾	0
	Excess Plan	35	240,115	0
Paul R. Zeller	Pension Plan	23	152,223	0
	Excess Plan	23	95,578	0
Jacqueline A. Chase	Pension Plan	17	165,601	0
	Excess Plan	17	91,776	0
Subodh K. Kulkarni	Pension Plan	16	134,793	0
	Excess Plan	16	22,995	0
John L. Sullivan	Pension Plan	10	141,150	0
	Excess Plan	10	142,114	0

(1) Mr. Russomanno, Mr. Zeller, Ms. Chase and Dr. Kulkarni, who were with 3M when Imation was spun-off in July 1996, have service credit for their years at 3M. However, this additional service credit has no effect under the Pension Plan.

(2) The present value was calculated using the following assumptions: a discount rate of 5.75%; an interest crediting rate of 4.75%; the years to age 65 for each named executive officer as follows: Mr. Russomanno: 3.6667; Mr. Zeller: 16.3333; Ms. Chase: 9.6667; Dr. Kulkarni: 20.4167; and Mr. Sullivan: 10.5; and the following present value factor: Mr. Russomanno: 0.9658; Mr. Zeller: 0.8563; Ms. Chase: 0.9122; Dr. Kulkarni: 0.8237; and Mr. Sullivan: 0.9051.

(3) Mr. Russomanno is eligible for early retirement having achieved age 55 and 3 years of service credit.

(4) This amount includes the present value of Mr. Russomanno’s benefits under the 3M Plan as described above in the amount of \$137,617.

Severance Agreements With Named Executive Officers.

We have entered into a severance agreement with each of the named executive officers in the Summary Compensation Table. The severance agreement provides certain benefits upon termination of employment by Imation for any reason other than Cause (as defined in the severance agreement) or termination of employment by the executive for Good Reason (as defined in the severance agreement). No severance benefits become payable under the severance agreement in the event of termination of employment upon death or disability. Upon qualification for severance benefits, the executive would receive:

- the full base salary earned by the executive and unpaid through the date of termination;
- any amount earned by the executive as a bonus with respect to the fiscal year preceding the date of termination if such bonus has not been paid; and
- an amount representing credit for any Paid Time Off (“PTO”) earned or accrued by the executive but not taken during the current year.

In lieu of any further base salary payments to the executive for periods subsequent to the date of termination, and unless termination occurs after a Change of Control (as defined below) of Imation, the executive would also receive a cash amount equivalent to the sum of:

- an amount equal to the target bonus under the applicable bonus plan for the fiscal year in which the date of termination occurs; plus
- an amount equal to one year’s salary for the fiscal year in which the date of termination occurs.

In the event termination occurs after a Change of Control, the executive would instead be eligible to receive a cash amount depending on the time between the Change of Control and the termination, as follows:

- if the termination is within one year after the Change of Control, then the lump sum is equal to two times the executive’s total annual base salary in effect for the fiscal year of termination plus two times the average of the annual bonuses for the two fiscal years prior to termination; and
- if the termination is more than one year but within two years after the Change of Control, then the lump sum is equal to one times his or her total annual base salary in effect for the fiscal year of termination plus one times the average of the annual bonuses for the two fiscal years prior to termination.

Change of Control for purposes of the severance agreement means any one of the following four events:

- a transaction or series of related transactions where a person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities and Exchange Act of 1934) acquires beneficial ownership of at least 35% of our common stock; or
- if the individuals who are a majority of our Board of Directors (the “Incumbent Directors”) as of the date of the severance agreement cease to be a majority. Any director who is later nominated for election or elected by a majority of the Incumbent Directors, will also be considered an Incumbent Director; or
- a merger, reorganization, share exchange, consolidation or other similar transaction, a sale of all the assets of the Company or issuance of our stock in connection with the acquisition of stock or assets of another company, unless: (1) the existing beneficial owners of our Company own more than 50% of the outstanding common stock and voting power (in similar proportions as their ownership before the transaction); (2) no person, entity or group beneficially owns 35% or more of the outstanding common stock or voting power and (3) at least a majority of our Board of Directors are the same directors as of the time of the execution of the agreement or initial approval of the transaction; or
- approval by the shareholders of dissolution of the Company.

We will also provide the executive with a lump sum payment equal to the employer portion of our standard medical and dental insurance coverages, as elected by the executive, in an amount equivalent to 12 months of coverage following the date of termination or 24 months of coverage after termination if the termination follows a Change of Control.

In addition, in the event of a termination within two years of a Change of Control, all shares of restricted stock owned or held by the executive and all unvested stock options will immediately vest without further restriction. See "Severance Benefits." The severance agreement also provides that if an executive receives payments that would subject him/her to any federal excise tax due under Section 4999 of the Internal Revenue Code, then he/she will also receive a cash "gross-up" payment so that he/she will be in the same net after-tax position that he/she would have been in had such excise tax not been applied; provided however, that if the value of all payments does not exceed 110% of the "safe harbor" amount under the Internal Revenue Code where no excise tax is due, then no "gross-up" payment would be made and the amounts payable would be reduced so that they equal the "safe harbor." The severance agreement also provides that the payments under the agreement are intended to be exempt from or compliant with Section 409A of the Internal Revenue Code.

In any termination, terminated executive officers will be entitled to receive standard benefits that they are entitled to receive under our 401(k) Plan, Pension Plan and Excess Plan. The severance payment obligations may be terminated if the executive violates the provisions of the applicable agreement regarding confidentiality and non-competition.

For a description of the amounts payable to the named executive officers under the severance agreement based on a hypothetical termination of employment on December 31, 2008 which would qualify the named executive officer for severance benefits, see the subsection entitled "Severance Benefits."

Severance Benefits. Based upon a hypothetical termination date of December 31, 2008, the severance benefits for our named executive officers for a qualified termination without a Change of Control would have been as described below:

	<u>Base Salary⁽¹⁾</u> (\$)	<u>Targeted Bonus⁽¹⁾⁽²⁾</u> (\$)	<u>Medical and Dental Insurance Benefits⁽³⁾</u> (\$)	<u>Accrued Unused PTO</u> (\$)	<u>Total</u> (\$)
Frank P. Russomanno	720,000	720,000	12,872	19,385	1,472,257
Paul R. Zeller	394,000	236,400	19,842	5,304	655,546
Jacqueline A. Chase	306,800	153,400	12,872	7,965	481,037
Subodh K. Kulkarni	302,000	151,000	18,901	16,262	488,163
John L. Sullivan	380,000	190,000	6,352	16,260	592,612

- (1) The following assumptions are made with respect to the information provided above: The base salary for the year of termination (2008) and the bonus for the preceding year (2007) had been paid.
- (2) As described above, this amount is equivalent to the target bonus for the year of termination (2008).
- (3) These amounts include a gross-up for taxes, which is provided to any employee who is entitled to medical and dental insurance benefits upon severance from Imation.

Based upon a hypothetical Change of Control in 2008 and termination date of December 31, 2008, the severance benefits for our named executive officers for a qualified termination with a Change of Control would have been as described below:

	Base Salary ⁽¹⁾ (\$)	Bonus ⁽¹⁾⁽²⁾ (\$)	Medical and Dental Insurance Benefits ⁽³⁾ (\$)	Value of Restricted Stock and Options ⁽⁴⁾ (\$)	Accrued Unused PTO (\$)	280G Tax Gross Up ⁽⁵⁾ (\$)	Total (\$)
Frank P. Russomanno	1,440,000	463,043	25,744	840,563	19,385	0	2,788,735
Paul R. Zeller	788,000	248,640	39,684	384,370	5,304	0	1,465,998
Jacqueline A. Chase	613,600	168,720	25,744	231,649	7,965	0	1,047,678
Subodh K. Kulkarni	604,000	153,920	37,802	206,456	16,262	0	1,018,440
John L. Sullivan	760,000	198,320	12,704	256,592	16,260	0	1,243,876

- (1) The following assumptions are made with respect to the information provided above: The base salary for the year of termination (2008) and the bonus for the preceding year (2007) had been paid.
- (2) As described above, the amount payable is equal to two times the average of the annual bonuses for the two fiscal years prior to termination (2006 and 2007).
- (3) These amounts include a gross-up for taxes, which is provided to any employee who is entitled to medical and dental insurance benefits upon severance from Imation.
- (4) The value of the restricted stock and options is based on the closing price at December 31, 2008 (the last business day of the year) of \$13.57. None of the named executive officers have stock options with an exercise price of less than \$13.57, so the calculation assumes no exercise of outstanding stock options. The value also includes accrued dividends on restricted stock that would be payable on vesting. The amount of accrued dividends for each named executive officer is as follows: Mr. Russomanno: \$41,982; Mr. Zeller: \$22,838; Ms. Chase: \$14,434; Dr. Kulkarni: \$9,528; and Mr. Sullivan: \$15,209.
- (5) Based on these payments, these executive officers would not be subject to the excise tax, so no tax gross-up would be required.

HOUSEHOLDING

We have sent to most of our shareholders the Notice containing instructions on how to access this Proxy Statement and our 2008 Annual Report on the internet. Shareholders who received a paper copy of this Proxy Statement were also sent a copy of our 2008 Annual Report. If more than one shareholder resides at the same address, those shareholders may have received notice of our intent to deliver only one Notice or one Proxy Statement and Annual Report, and we will do so unless we receive contrary instructions from one or more of the shareholders. Similarly, brokers and other intermediaries holding shares of common stock in brokerage accounts for more than one beneficial owner with the same address may deliver only one Notice or Proxy Statement and Annual Report to that address, if the appropriate notice was provided or consent obtained.

We will deliver promptly, upon written request to the address noted below or oral request to Imation shareholder services at The Bank of New York at 1-800-524-4458, a separate copy of the Notice or a separate copy of the Proxy Statement and/or 2008 Annual Report to a shareholder at a shared address to which a single copy was delivered, including a beneficial owner of stock held in "street name." Any shareholder may use the address below or the phone number noted above, to obtain separate Notices, Proxy Statements and/or Annual Reports in the future or request delivery of a single copy of the Notice, Proxy Statement or Annual Report at an address where you are receiving multiple copies. If your shares are held in "street name" and you want to increase or decrease the number of copies of our Notice, Proxy Statement and/or Annual Report delivered to your household in the future,

you should contact the broker or other intermediary who holds the shares on your behalf. Requests to us should be addressed to:

Investor Relations
Imation Corp.
1 Imation Way
Oakdale, MN 55128

SHAREHOLDER PROPOSALS FOR 2010 ANNUAL MEETING

If you wish to submit a shareholder proposal that is requested to be included in our Proxy Statement for our 2010 Annual Meeting, we must receive the proposal at our principal executive offices by the close of business on November 24, 2009. The proposal must also comply with all applicable statutes and regulations and must be sent to the attention of our Corporate Secretary.

If you want to present any other proposal or nominate a person to be elected as a director at our 2010 annual meeting, the proposal or nomination must be received in writing by our Corporate Secretary at our principal executive offices by February 5, 2010. However, if the Annual Meeting is to be held before April 6, 2010 or after June 5, 2010, then the proposal or nomination must be received before the later of (i) the close of business on the 10th day following the day on which notice of the meeting date is mailed or public disclosure of the meeting date is made, whichever occurs first, and (ii) the close of business 90 days before the 2010 Annual Meeting. The proposal or nomination must contain the specific information required by our bylaws. You may obtain a copy of our bylaws by writing to our Corporate Secretary.

OTHER BUSINESS

We are not aware of any business to be presented at the Annual Meeting other than the business that is explained in this Proxy Statement. If any other matter is properly presented for a vote at the Annual Meeting, the holders of the proxies will have discretionary voting authority to vote your shares.

Dated: March 23, 2009

BY ORDER OF THE BOARD OF DIRECTORS,



John L. Sullivan
*Senior Vice President, General
Counsel and Secretary*