**U3 Earns Industry Award and Welcomes New Developer Partners
at Yearly Gathering of Flash Heavyweights**

U3 Smart Drive Computing Platform Named Most Innovative Flash Memory Application;
ParetoLogic, Runtime Revolution, Serotek and Softwrap Become Newest U3 Developers

FLASH MEMORY SUMMIT, SAN JOSE, Calif., Aug. 10, 2006 – U3™ LLC was honored with a prestigious Best of Flash Memory Summit Award during a ceremony last night at the first annual Flash Memory Summit. The award for Most Innovative Flash Memory Application was presented to the U3 smart drive computing platform, which transforms USB flash drives into U3 smart drives capable of carrying and launching a user's entire personal workspace – including files, software, preferences, settings and the means for managing it all – for use on any PC.

"After considering an impressive list of applicants, our panel of judges selected the U3 smart drive computing platform as the most innovative application," explained Jay Kramer, conference chairperson and head of the judging panel for the Best of Flash Memory Summit Awards. "This award validates the importance of flash memory to application solutions in the marketplace. It is truly an exciting time for the next wave of storage applications enabled by flash memory."

"U3 is pleased to accept this award at a momentous assembly of our industry peers and partners," said Kate Purmal, chief executive officer of U3. "U3 has played an influential role uniting flash hardware vendors with software makers to chart a new future for USB flash devices. Because of the pioneering work of U3 and its partners, consumers need not limit themselves with traditional flash storage products that carry assorted files and not much else. Instead they can now carry their favorite software, preferences and profiles on the same flash drive that carries their data – for use on any PC."

U3 has signed partnerships with 17 global hardware vendors that license the U3 platform to build U3 smart drives. Over 60 models of U3 smart drives are now available with storage capacities ranging from 256 MB to 4 GB.

U3 is also working with more than 8,000 software developers who create U3 smart applications for U3 smart drives. Consumers will find over 100 U3 smart applications for every task available for download at the online store U3 Software Central   Examples of U3 smart software include the indispensable OpenOffice.org productivity suite, the award-winning Mozilla Firefox Web browser and Thunderbird e-mail client, the wildly popular Skype Internet calling software, and much more.

At the Flash Memory Summit U3 welcomed four new developers to its global network of software partners: ParetoLogic Inc., Runtime Revolution Ltd., Serotek Corp. and Softwrap Ltd.

- Paretologic XOFTspy™ Portable - The first portable anti-spyware product operating directly from U3 smart drives is built on the popular XoftSpySE anti-spyware application. XOFTspy Portable is licensed for use on multiple computers and protects roaming users accessing any PC they touch.

- Runtime Revolution 2.7.3 - A highly versatile integrated development environment, Revolution 2.7.3 makes it easy for developers to create U3 smart applications that conform to the U3 platform and that will automatically pass U3 certification for inclusion on U3 Software Central.

- Serotek FreedomBox and System Access - FreedomBox and System Access provide easy to use, fully featured, mobile access to Windows and the Internet for blind, visually impaired or physically disabled users. The FreedomBox suite integrates Internet, e-mail, multimedia and more while System Access automates access to assorted Windows applications from Mozilla, Skype and others.

- Softwrap™ - The U3 Device Application Programming Interface has been integrated with Softwrap's industry-leading encryption technology, offering the first copy protection system that that requires no hard-coding to license software securely to a U3 smart drive. All software developers can now quickly, easily and securely use Softwrap encryption technology to provide copy-protected U3 smart applications for trial and purchase.

Consumers can purchase a U3 smart drive for work, personal or family use at consumer electronics retailers worldwide. More information is available at the U3 Web site, www.u3.com.

U3 Smart Drives
U3 smart drives are easily recognizable by the U3 smart logo and are available from the following leading brands worldwide: BestBuy Geek Squad®, Clever-Stuff disgo classic and Clever-Stuff busbi, COS Memory AG, Data Storage Advisors disk2go®, Elecom Co., Ltd., Hama GmbH, Intuix, I-O DATA Device, Inc., Kingston® Technology Company, Memorex, Office Depot®, PQI, SanDisk®, TwinMOS and Verbatim®. Toshiba Corporation and Lenovo™ will begin shipping later this year.

About U3
U3 LLC of Redwood City, Calif., has developed an innovative platform to make U3 smart drives that host a "personal workspace" –- not only data and files, but U3 smart software programs, personal user preferences and the means for managing them. U3 smart drives transform a PC into a truly personalized computer, quickly, easily and securely, and exit transparently when done. U3, backed by USB flash drive market leaders M-Systems (NASDAQ: FLSH) and SanDisk Corp. (NASDAQ: SNDK), licenses its platform to USB drive manufacturers and provides its platform at no cost to software developers. For more information see www.U3.com.

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